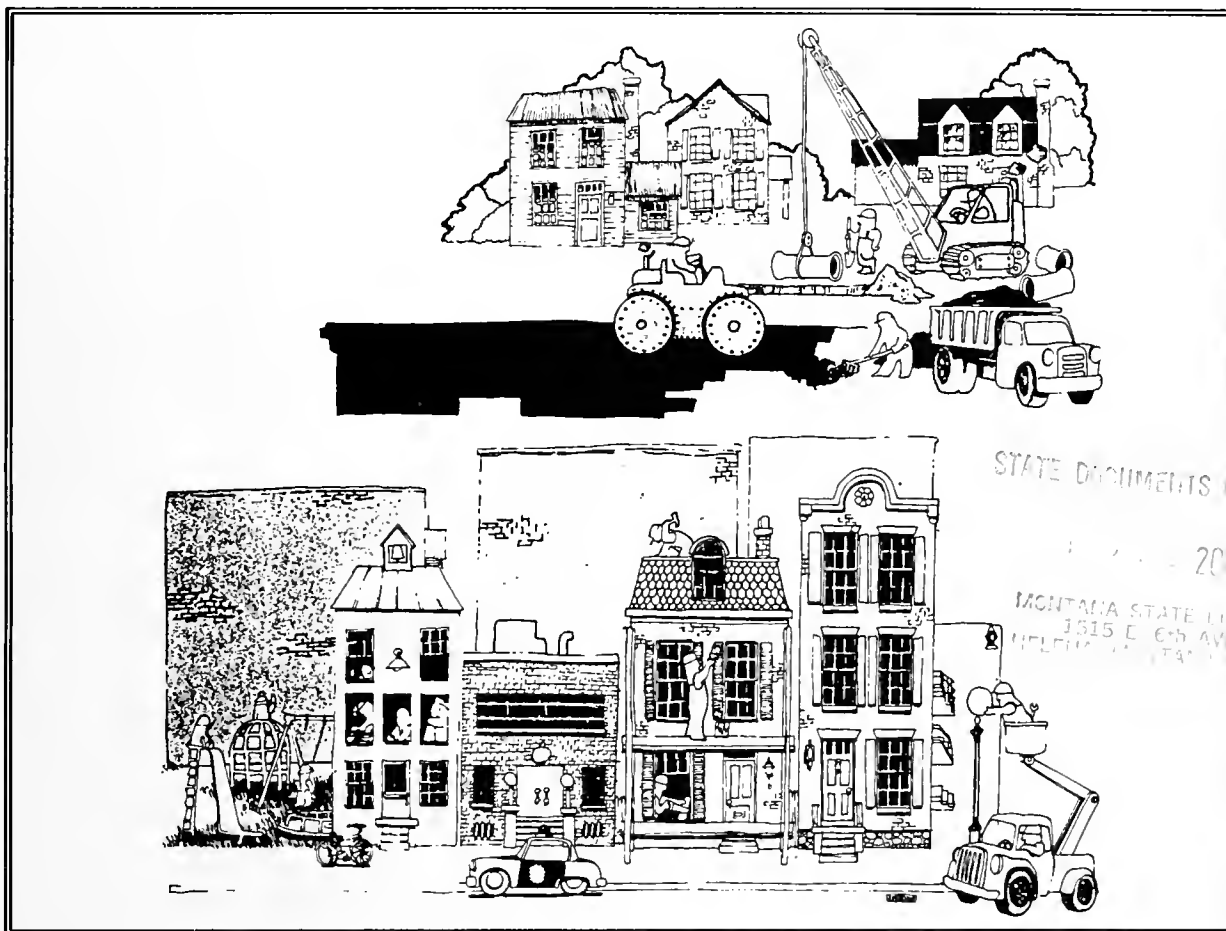


MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

1992 APPLICATION GUIDELINES FOR HOUSING & PUBLIC FACILITIES PROJECTS



MONTANA DEPARTMENT OF COMMERCE



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COMMUNITY DEVELOPMENT
BLOCK GRANT PROGRAM**

**1992 APPLICATION GUIDELINES FOR
HOUSING AND PUBLIC FACILITIES PROJECTS**

MONTANA DEPARTMENT OF COMMERCE

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March, 1992

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INTRODUCTION

The 1992 Community Development Block Grant (CDBG) Program Application Guidelines describe the general requirements which apply to all local governments applying for CDBG funds as well as the special requirements and ranking criteria which will be used to evaluate applications for the September 14, 1992 competition for housing and public facilities projects.

In 1989, the Montana Department of Commerce (DOC) changed the administrative structure for the CDBG program. The economic development component of the program is now administered by the Business Development Division. The housing and public facilities categories are administered by the Local Government Assistance Division. The Department publishes two sets of application guidelines: one, for the economic development category only, and the second, for the housing and public facilities categories.

For a copy of the application guidelines for economic development projects, contact:

**DOC/Business Development Division
1424 Ninth Avenue
Capitol Station
Helena, MT 59620
444-3923**

For a copy of the application guidelines for housing and public facilities projects, contact:

**DOC/Local Government Assistance Division
1424 9th Avenue
Capitol Station
Helena, MT 59620
444-2488**

If you have not previously worked with Montana's CDBG Program, the volume of the guidelines may, at first, seem a bit overwhelming. There is no question that, because of the federal requirements involved, there is considerable "red tape" involved in applying for and administering a Community Development Block Grant. However, keep in mind that these guidelines include sections on two different types of CDBG projects: housing and public facilities. Once your community has decided on the type of project it intends to pursue, the other portions of the guidelines which do not apply can be disregarded. The text of the guidelines also includes numerous suggestions to applicants on how to prepare a more competitive grant application.

In addition to these guidelines, the Department of Commerce has prepared a number of supplementary materials to help local officials prepare CDBG applications and comply with the various requirements. These include items such as sample survey forms, budget forms, formats for public hearing announcements and local government resolutions, and checklists to help make sure that the application is complete. Copies of these materials will be distributed at regional application workshops to be held this spring or may be ordered from the Department's Local Government Assistance Division at the address and telephone number listed above. If you have any questions regarding Montana's Community Development Block Grant (CDBG) Program, don't hesitate to contact us.

Newell B. Anderson, Administrator
DOC/Local Government Assistance Division

March, 1992

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I. BACKGROUND

The Community Development Block Grant (CDBG) Program is a federally funded grant program designed to help communities with their greatest community development needs. All projects must be designed to principally benefit low and moderate income families. The program was established by the federal Housing and Community Development Act of 1974 (42 USC 5301) and is administered nationally by the U.S. Department of Housing and Urban Development (HUD).

Nationally, the CDBG program is divided into two major categories:

1. The Entitlement CDBG Program assists communities with 50,000 or larger populations. In Montana, only Billings and Great Falls are entitlement communities; they receive CDBG funds on a formula basis and are directly under HUD administration.
2. The Nonentitlement or State CDBG Program assists communities with populations under 50,000. Allocations for the nonentitlement program are established for each state on the basis of a statutory formula.

In 1981, Congress amended the federal Housing and Community Development Act to make the nonentitlement portion of the CDBG program available as an optional State-administered program. The Legislature authorized the Department Commerce to administer the program beginning in 1982.

Each year from \$5-6 million have been awarded to Montana counties and municipalities. Montana's total CDBG allocation for 1992 is \$6,233,000. Overall, the CDBG awards have been matched by an equal expenditure of public and private funds, making possible millions of dollars of public and private investment reflected in construction activity and creating jobs for Montanans across the state.

The grant competition for public facilities and housing projects is conducted annually in the fall. Grant applications for economic development projects are accepted continuously, as long as funds are available. Applications are evaluated according to the established criteria for each project category. Because of the strong demand for the funds, the Department of Commerce is not able to fund all of the applications submitted.

Although numerous federal requirements attach to the program, the State does have some flexibility to design its own program objectives and procedures for program administration, and to establish the criteria used to select grant recipients.

A summary of each of the housing and public facility projects awarded funds under the 1991 CDBG Program is included in Appendix G. Lists of the projects awarded CDBG funds from 1982 to 1991 are available from the Department upon request.

II. FISCAL YEAR 1992 PROGRAM DESCRIPTION

A. PROGRAM GOAL AND OBJECTIVES

1. Goal

Consistent with Congressional intent as expressed in the federal Housing and Community Development Act, the goal of the Montana Community Development Block Grant (CDBG) Program is to develop viable communities by providing decent housing, healthful and safe living environments, and economic opportunities, principally for persons of low and moderate income.

2. National Objectives

Under the federal Housing and Community Development Act, CDBG recipients are required to "give maximum feasible priority" to activities that will:

- a. benefit low and moderate income persons;
- b. aid in the prevention or elimination of slums or blight; or
- c. meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

Under federal law, each activity proposed as part of a local CDBG project (other than project administration) must address one of these three national objectives for the CDBG Program. Under Montana's CDBG Program, all non-administrative activities are justified on the basis of their benefit to low and moderate income persons.

In addition, the Act requires that 70 percent of a State's CDBG funds, taken as a whole, must be used for activities that principally benefit low and moderate income persons. The Montana CDBG Program has responded to this mandate by requiring that each applicant document that at least 51 percent of the non-administrative funds provided for a local CDBG project will be used for activities that are clearly designed to meet the identified needs of low and moderate income persons. Overall, Montana's CDBG Program averages over 95% benefit to low and moderate income persons.

3. State Objectives

Under federal law, the Department of Commerce must annually prepare a Performance and Evaluation Report (PER) to HUD which relates each grant recipient's use of CDBG funds to the State's community development objectives. (Copies of the PER are available upon request.) In order for the Department to fulfill this requirement each CDBG applicant must identify the State objective(s) which its proposed project responds to. Appendix A describes the State's objectives for the Montana CDBG Program.

B. PROJECT CATEGORIES

There are three funding categories under Montana's CDBG Program:

1. economic development;
2. housing; and
3. public facilities.

Economic Development Projects

In economic development projects, the State grants a CDBG to a local government, which, in most cases, loans the funds to a private business. In return, the business commits to create a specific number of jobs, a majority of which will be made available to low and moderate income persons.

Public Facility Projects

In public facility projects, CDBG funds are most often used in combination with other federal, state, or local funds to make public improvements affordable to low and moderate income families. **These projects must principally benefit low and moderate income persons.** Public facility projects can also include facilities designed for use predominately by persons of low and moderate income such as elderly persons, battered spouses, and homeless or handicapped persons. This can include facilities such as nursing homes, senior centers, mental health centers, shelters for homeless persons, battered spouses or abused children, or group homes for developmentally disabled persons.

Housing Projects

In housing projects, CDBG funds are most often used to make low or no interest loans to low and moderate income families to allow them to rehabilitate homes in substandard condition. Rehabilitation focuses on bringing the home up to basic code standards by improving electrical systems, plumbing, roofing, and providing for energy conservation measures such as installation of adequate insulation or energy-efficient furnaces, doors, and windows. In addition, communities frequently use CDBG funds to demolish vacant, unsafe buildings or to make needed improvements in public facilities in conjunction with their housing efforts in order to revitalize blighted areas of their towns.

CDBG funds can also be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit development corporation or a community based organization. Housing projects can also include the clearance or acquisition of sites for use or resale for new housing, site improvements to publicly-owned land to be used or sold for new housing, and conversion of existing nonresidential structures for residential use.

Complementary Activities

A project may consist of one or more activities designed to substantially resolve a community development need. The principal activities must clearly be designed to

address needs appropriate to the category applied for and must represent at least two-thirds of the non-administrative project funds requested; other proposed activities should be clearly complementary to and in support of the principal activities in order to enhance the overall impact of the project in resolving the identified problem. For example, public facilities activities, such as water, sewer, or street improvements, can be included in a housing project which primarily addresses housing rehabilitation and demolition needs because the activities support an overall neighborhood revitalization strategy and are related to the project objectives.

Examples of the types of activities which may be funded under each project category, as well as the special requirements and ranking criteria which are used to evaluate applications for each category, can be found in the separate chapters of these guidelines.

The requirements for Economic Development Projects are discussed in a separate set of application guidelines available from the Department of Commerce, Business Development Division at the address and telephone number listed in the Introduction.

C. GRANT CEILINGS

The total amount of CDBG funds requested by an applicant must not exceed the following ceilings:

<u>Type of Grant</u>	<u>Ceiling</u>
Housing	\$375,000
Public Facilities	\$375,000

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within the contract period. The contract period is normally 18 to 24 months from the date of the announcement of grant award by the Department. While grant ceilings establish the maximum amounts which may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant.

There are no minimum amounts required for CDBG requests. A maximum of 18% of a grant may be used for grant administration. Some administrative expenses are essentially fixed and are not proportionate to the total cost of a CDBG project. Communities considering relatively small requests (under \$75,000) may find that the 18% allowed may not provide a sufficient budget to cover all administrative costs. A community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the Department of Commerce to discuss their proposed project prior to submittal of the application.

D. APPLICATION DEADLINES

<u>Type of Grant</u>	<u>Deadline</u>
Housing	September 14, 1992
Public Facilities	September 14, 1992

Applications must be delivered or postmarked on or before the deadline date.

E. DISTRIBUTION OF 1992 FUNDS

1. Funds Available for the 1992 State CDBG Program

HUD has notified the Department of Commerce that Montana's FY 1992 CDBG allocation is \$6,233,000. In addition, Montana will receive \$25,000 in reallocated Region VIII, FY 1990 CDBG funds and \$19,000 in reallocated FY 1991 funds. The total, \$6,277,000, is a \$376,000 increase over the 1991 allocation.

The distribution of funds for Montana's CDBG Program for federal fiscal year 1992 will be as follows:

Total Fiscal Year 1992 State CDBG Allocation	\$ 6,277,000
Less CDBG funds for State program administration and technical assistance to applicants and to grantees*	<u>225,540</u>
Amount Available for Award to Local Governments	\$ 6,051,460
Less 25% Allocation for Economic Development Category	<u>1,512,865</u>
Total Available for Housing and Public Facility Categories	\$ 4,538,595

* Extensive federal regulations accompany the program. The Montana Department of Commerce will use a small portion of the State CDBG allocation for administration of the program, as established by a statutory formula. The funds will be used to supplement State resources to meet federal regulatory requirements and to support related technical assistance to applicants and grantees and project monitoring activities throughout the terms of the local projects.

2. Allocation of Funds

a. 1992 Economic Development Setaside

Twenty-five percent of the total amount available for new grants (\$1,512,865) will be set aside to allow economic development funds to be available to applicants on a continuous basis.

For the public facilities and housing categories, in general, basic needs can be identified and planned for in advance. In contrast, it is generally not possible to identify or plan for economic development opportunities ahead of time; however, when such a situation develops it requires a timely response by the community and the State to facilitate and support the development proposal. The continuous application cycle for economic development applications is designed to meet the need for more prompt response to economic development initiatives.

b. Fall 1992 Grant Competition For Housing and Public Facilities Projects

For the fall 1992 grant competition, tentative allocations for the housing and public facilities categories will be established on the basis of the total dollars requested for each type of grant as a percentage of the total amount requested by all applicants in these two areas. Allocations will be calculated using those applications using those applications which have been accepted and determined to be eligible for the grant competition. Applications will be ranked against other applications in the same project category for the total amount of funds allocated to that category.

During the fall grant competition for housing and public facility projects, the final distribution of funds for any category may be subject to shift up or down, per category, of up to 10 percent of the amount available for award to local governments at the discretion of the Director of the Department of Commerce, under the following circumstances:

- if the funds remaining in a single category are insufficient to achieve adequate impact for all of the next highest ranked projects or would result in unjustifiably high administrative costs relative to project impact; or
- where judgments on the overall quality of proposed projects and their consistency with the goal and objectives of the State CDBG Program would justify redistribution of funds.

3. Reallocation of Funds

- a. If any grantee which has tentatively been awarded funds is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment will be withdrawn. In the event that excess funds above the last ranked grant request are available, they may be reallocated at the discretion of the Director of the Department of Commerce, consistent with these guidelines, so as to best achieve the goal and objectives of the Montana CDBG Program.

- b. Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous grant awards, including program income which has been returned to the State, may be reallocated at the discretion of the Director, consistent with the current adopted Application Guidelines, in order to best achieve the goal and objectives of the Montana CDBG Program.
- c. The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner." HUD requires the State to have at least 75% of its total annual grant allocation awarded and under contract within twelve months of the date the allocation was awarded to the State. All remaining funds must be awarded and under contract within fifteen months of the State CDBG award. Therefore, if after ten months from the date of the award of the State's annual CDBG allocation, the Department of Commerce does not have at least 75% of its fiscal year allocation awarded and under contract, the Department Director may, at his discretion, award funds from the Economic Development Setaside to the highest ranked eligible but unfunded applications from the fall grant competition for housing and public facilities projects, in order to achieve these goals.

4. Estimate of Funds to Benefit Low and Moderate Income Persons

The federal Housing and Community Development Act requires that the State estimate the amount of CDBG funds proposed to be used for activities that will benefit low and moderate income persons, excluding administrative costs.

In keeping with Congressional intent for the program, all CDBG applications must document, as a threshold requirement, that at least 51 percent of the non-administrative funds requested for a CDBG project are clearly designed to meet the needs of low and moderate income families. As a result, according to HUD guidelines for calculating benefit, approximately 99% of the funds granted to Montana communities from 1982-1991 are considered to be principally benefiting low and moderate income families. Therefore, based on past experience, the Department of Commerce estimates that not less than 95% of the non-administrative CDBG funds awarded through the FY 1992 Montana CDBG program for local projects will be used to benefit low and moderate income persons.

The State's estimate of funds to be used to benefit low and moderate income persons is based upon the following calculations:

Total estimated CDBG funds available for award to local governments	\$ 6,051,460
Less 18% maximum potential permitted for local project administration	<u>1,089,263</u>
Subtotal	<u>\$ 4,962,197</u>

Multiplied by projected 95
percent benefit for low and
moderate income persons (95%
X \$4,962,197) =

\$ 4,714,087

Thus, the State estimates that not less than \$4,714,087 of Montana's fiscal year 1992 CDBG allocation will be used to benefit low and moderate income persons. Based on past experience, the actual amount will likely be higher since local projects, in the aggregate, average far less than 18% overall for project administration.

III. GENERAL REQUIREMENTS FOR ALL CDBG APPLICATIONS

In order to be eligible for an award of CDBG funds, applicants must comply with the following requirements. Local officials having any concerns or questions regarding these requirements should contact the Department of Commerce, Local Government Assistance Division, for guidance as early as possible in the process of preparing an application.

A. ELIGIBLE APPLICANTS

Under federal law, eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program.

Special purpose agencies such as local economic development corporations, housing authorities, or water or sewer districts, are not eligible to apply directly; however, they may be involved in implementing and administering a program by interlocal agreement, if a local government agrees to such an arrangement. Water or sewer users associations, because they are private nongovernmental entities, must first be established as county water or sewer districts (pursuant to Title 7, Chapter 13, Parts 22 and 23, MCA) before CDBG funds may be released for a public facilities project.

1. County Applications

For projects proposed to resolve problems in the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project which will include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to benefit all county residents, including those located in the unincorporated jurisdiction of the county, as well as those within the city or town.

In order to improve cost-effectiveness for project administration, a county may apply for a grant for a project which would address the same category of community need in two or more separate unincorporated communities as long as the grant request is under the established ceiling. For example, a county can apply for a project which would provide public facilities for two unincorporated communities or a project which would conduct housing rehabilitation activities in two unincorporated communities. If considering such a project, the applicant county would want to be sure that the involved communities have an equally high level of need and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities; if not, the entire application could be less competitive.

2. Municipal Applications

For projects proposed to resolve problems within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A

municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction, such as a solid waste disposal site or a water or sewage treatment facility. A municipality may also apply for a project which is located outside the city's jurisdiction if it can provide adequate assurances that the project area will be annexed within the term of the CDBG project.

3. Joint Applications

In situations where two or more eligible local governments face a common community development problem, a joint application may be submitted under the following conditions:

- a. the problem to be addressed lies in an area of contiguous jurisdictions;
- b. the solution to the common problem clearly requires cooperative action and is the most efficient strategy; and
- c. the local governments involved have contacted the Department of Commerce and received prior approval of such an arrangement before submission of an application. Requests for approval must be submitted at least 30 days prior to the due date for applications.

The eligible local governments involved must each meet the threshold requirements for all applicants. One local government must be designated as the lead applicant and accept full responsibility for application submission and, should the application be awarded funds, for administrative and financial management during the term of the CDBG project. The local government designated as the lead applicant will be ineligible to apply for another grant during the same grant competition.

All joint applications must contain a draft interlocal agreement, in accordance with the Montana Interlocal Cooperation Act (Sections 7-11-101 through 108, MCA), which identifies the responsibilities and obligations of the cooperating local governments, including long-term operation and maintenance, if applicable.

B. NUMBER OF APPLICATIONS PERMITTED PER APPLICANT

Unless otherwise prohibited by the provisions of section D below, each eligible local government jurisdiction may submit only one application to the fall grant competition for housing and public facility projects.

For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions; one, the city jurisdiction and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation. Applications for city and county jurisdictions must conform to the requirements for municipal and county applications set out in section A., Eligible Applicants.

C. NUMBER OF GRANT AWARDS PERMITTED PER JURISDICTION

During any program year, a local government jurisdiction may be awarded a maximum of:

- one grant from the public facilities or housing categories; and
- \$375,000 in CDBG funds from the economic development category.

D. RE-APPLICATION

A local government that is currently administering a CDBG housing or public facilities project, will be eligible to reapply under the Housing or Public Facility categories if:

1. The local government has drawn down at least 75 percent of the non-administrative funds from earlier grant awards or has completed all grant activities;
2. The local government is in compliance with the project implementation schedule contained in its CDBG contract with the Department of Commerce; and
3. There are no unresolved audit or monitoring findings for any previous grant awarded to the local government.

E. COMMUNITY DEVELOPMENT NEEDS ASSESSMENT

The federal Housing and Community Development Act requires that each CDBG recipient must "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs." It also requires public hearings to obtain citizen views including the development of needs and the review of proposed activities.

Each applicant must include a description of its needs, which, at minimum, summarizes:

1. The process used to identify community development needs and establish priorities and objectives, including efforts to encourage meaningful participation of local citizens, particularly those of low and moderate income, who are residents of areas in which CDBG funds are proposed to be used;
2. The applicant's short-term and long-term community development needs in economic development, housing, and public facilities, including the needs of low and moderate income persons, and its priorities for responding to the needs;
3. The planned activities to be undertaken to meet the identified needs; and
4. The rationale for selecting the proposed CDBG project.

A summary of the applicant's Community Development Needs Assessment must be submitted as part of the CDBG application. The needs assessment summary may be incorporated as part of the applicant's response to the "Needs Assessment and Citizen Participation" ranking criterion established for housing and public facilities categories.

Suggestions for Applicants

The CDBG Needs Assessment requirement was intended by Congress to be an abbreviated planning process in order to promote better coordinated strategies for addressing local needs, particularly as they affect low and moderate income persons. It is not intended to duplicate the ongoing planning process being used by many Montana communities or the "Certified Communities" process which many communities have completed. To the contrary, as an initial step in the needs assessment process applicants should review their existing comprehensive plan and community development objectives. The needs assessment requirement can also provide an opportunity to review existing capital improvements, economic development, or housing plans, to determine if they still adequately reflect current conditions, needs, and community goals.

There is no one recommended procedure for preparing a community development needs assessment. In the past, some local governments have assigned the needs assessment to an existing local planning board. Others have formed special short-term committees or utilized community-wide town meetings, neighborhood meetings, or community surveys. Whatever approach is followed, the applicant must, at a minimum, meet the citizen participation requirements described in Section F, Citizen Participation below. (For further information, applicants can review the Department of Commerce guidelines, The Community Development Needs Assessment Process.)

The project proposed in the community's CDBG application does not have to be the highest priority community need. There are a number of reasons, including the availability of other, more appropriate local, State or federal financial resources which would justify submitting a CDBG application for other than the top-ranked community need. Or, for example, a legal mandate from the Montana Department of Health and Environmental Sciences to upgrade a public facility would justify submitting a CDBG application for a community need which may not have been top-ranked in a local opinion survey.

The needs assessment process does not have to be conducted annually for applicants re-applying for CDBG funds if a previously prepared needs assessment still accurately reflects existing conditions and community development objectives and meets the requirements set out above. If an existing needs assessment will be used as the basis for reapplication, the applicant should solicit public comments on the previously identified community needs and priorities at one or more of the public hearings required by Section F, Citizen Participation.

F. CITIZEN PARTICIPATION

The federal Housing and Community Development Act places strong emphasis on involving the public in the preparation of CDBG applications and in the implementation of CDBG projects. It requires the Department of Commerce to adopt "a detailed Citizen Participation Plan." In order to receive CDBG funds, both the

Department and applicants for grants must certify that they are carrying out citizen participation in a manner that complies with this plan. Montana's Citizen Participation Plan is included in Appendix B. The certification required of applicants for CDBG funds is included in Appendix D, CDBG Certifications for Application.

Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

At a minimum, the applicant must hold two public hearings, one before preparing the application and one prior to passage of a resolution by the governing body authorizing the submission of the application. The public hearings may be conducted either as part of a regularly scheduled meeting of the governing body or as hearings convened especially for CDBG purposes.

A record of the required hearings must be submitted with the application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements, as well as to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development, housing and public facilities, including the needs of low and moderate income persons. In considering the needs of low and moderate income, the governing body is encouraged to consider the needs of households which may be especially needy, such as those with lower incomes, female heads of households or minority, elderly or disabled members. The first public hearing must be held not more than twelve months prior to the date of application.

The purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's CDBG application, before it is submitted. The issues which should be considered include the proposed project location, activities, budget (including the estimated amount proposed to be used for activities that will benefit low and moderate income families), any costs to be imposed on residents as a result of the project (particularly those of low and moderate income), and, if appropriate, the plans of the grantee for minimizing displacement of persons as a result of activities assisted with CDBG funds. The second public hearing must be held not more than two months prior to the date of application.

Formal public notice must be provided before public hearings are held. Where possible, notice should also be directed to persons of low and moderate income, those persons who will benefit from or be affected by CDBG activities and/or groups representing low and moderate income persons. Hearings must be held at times and locations convenient to potential beneficiaries and with accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, arrangements must be made to have an interpreter present.

Suggestions for Applicants

Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. In addition to the published notices, the applicant should make reasonable efforts to inform citizens of the hearings who may be affected by a CDBG project but who might not be reached through formal newspaper notices. Examples of actions applicants may take to ensure citizen participation include meeting with community groups and leaders prior to public hearings, holding informational meetings, distributing notices of public meetings to residents, or posting of notices in ways customary to the community. These efforts should be especially concentrated in any geographic area which may be affected by a proposed CDBG project. The hearings should be scheduled at times and locations which will encourage broad citizen participation. (Communities without a newspaper may substitute alternatives for notifying the public such as radio announcements, mailed notices, and posters.)

G. ELIGIBLE ACTIVITIES

Projects may consist of one or more related activities within a general category. The activities which are eligible for funding under Montana's CDBG Program are limited to those set out by Congress in Title I of the Housing and Community Development Act of 1974. These eligible activities are listed in the Code of Federal Regulations (24 CFR Part 570, Sections 201-206) which is reproduced in Appendix C.

Suggestions for Applicants

In most cases the question of the eligibility of an activity is clear-cut and can be resolved by contacting the Department of Commerce CDBG staff. Some activities may involve special conditions imposed by federal regulations.

In selecting activities for a CDBG application, communities should be aware that the fact that although an activity may be legally eligible under the federal statute and HUD regulations, it may not be competitive under the guidelines and ranking system incorporated in the Montana CDBG Program. For example, while parks, recreation facilities, or street improvements are eligible under the federal statute, historically the CDBG project evaluation criteria and the high level of demand for the limited CDBG funds have not made an application for those types of activities competitive as individual projects. Any project under consideration for a CDBG application should be compared against the ranking criteria for that category before a decision is made to prepare an application. If you have questions regarding the eligibility of, or special requirements which may apply to, a particular project or activity under consideration in your community, contact the Department of Commerce CDBG staff for guidance.

H. BENEFIT TO LOW AND MODERATE INCOME PERSONS

Each applicant must document in its application that a minimum of 51 percent of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of persons of low and moderate income in the area. Applicants must also demonstrate that any activities proposed will not benefit moderate income persons in a manner which would exclude or discriminate against low income persons.

Under the federal Housing and Community Development Act, "low and moderate income" is based on the higher of either:

- 80% of the median income for the county in which the project would be located; or
- 80% of the median income for the entire nonmetropolitan area of the State (all of Montana, excluding Billings and Great Falls).

The applicable higher amount is already incorporated in the current income guidelines for Montana counties which appear in the current edition of the Department of Commerce publication, Guidelines for Documenting Benefit to Low and Moderate Income Persons.

Compliance with the benefit to low and moderate income requirement is calculated on an activity-by-activity basis. The following general guidelines can be used to determine, which projects or activities will be considered as principally benefiting low and moderate income households:

- the project has income eligibility requirements that limit the benefits of the activity to low and moderate income persons, such as housing rehabilitation assistance which is provided only to low or moderate income families or the payment of assessments levied against properties owned by low or moderate income families as part of a public facilities project; or
- the project serves an area where at least 51 percent of the residents are low and moderate income persons and provides services for such persons, such as a water project for a lower income neighborhood; or
- the project involves facilities designed for use predominately by low and moderate income persons (e.g., a senior center or Head Start Center).

Applicants proposing to use CDBG funds for areawide activities (such as a community-wide public facility project) must provide income data to demonstrate that at least 51 percent of the persons who would benefit from CDBG assistance have low or moderate incomes.

Applicants intending to conduct local surveys of household income must utilize the appropriate income levels established for their county. Applicants must follow the current edition of the Department of Commerce Guidelines for Documenting Benefit to Low and Moderate Income Persons which provides further explanation of the federal requirements governing benefit to low and moderate income. (Copies are available from the department.) An applicant's failure to assure a statistically valid and sufficiently random sample for a local income survey will be considered sufficient grounds to discount claims made for percentage of benefit to low and moderate income persons during the application review process.

I. BUDGET

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination

with other proposed funding sources to complete the proposed activities within an 18-24 month period. **Each applicant must propose a budget which is sufficient to assure effective administration and timely project completion.** (Budget forms and guidance on budgeting are available from the Department of Commerce.)

The total budget of any proposed CDBG project should be divided between "activity costs" (such as "public facilities construction" or "housing rehabilitation") and "administrative costs." The administrative budget covers the costs of implementing a local project, including costs involved in preparing the required environmental review; the cost of the local project audit; and other contractual costs for professional services that may be associated with administration of the program.

The budget must be accompanied by a narrative justification for the specific proposed CDBG project activities and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-CDBG funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. If other sources of funds are needed to complete the project, the status of these funds, when they will be available, and how they will be coordinated with CDBG funds should also be described.

Administrative costs must be appropriate and commensurate with the project being undertaken. Any proposed administrative costs must be eligible, fully supported, and explained. In no case may the administrative budget for the grant exceed 18 percent of the total grant requested. Applicants which propose to contract for project management assistance with a consultant or other entity must specifically itemize this amount in the administrative budget and explain it.

Under no circumstances are costs incurred prior to award of the grant (such as fees for preparing an application, community survey; or needs assessment; costs associated with conducting a local survey, and preliminary engineering studies) eligible for reimbursement in the event of a grant award.

For public facility projects, line items for construction contingencies should not exceed ten percent of the estimated construction cost.

Suggestions for Applicants

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the application.

Consideration should be given to costs such as:

- day-to-day project management activities specific to the type of project proposed.
- assuring compliance with State and federal requirements;

- preparation of reports;
- bookkeeping;
- legal services;
- travel or registration fees for project-related training;
- conducting the environmental review and publishing required legal notices;
- appraisals;
- acquisition of land or easements;
- engineering design;
- Davis-Bacon (prevailing wage) requirements which may increase construction costs;
- construction inspections; and
- audit.

The Department recommends that applicants budget from \$2,000 to \$3,000 for final project audit. Applicants should also budget \$1,000 for technical assistance from the DOC Local Government Services Bureau in establishing their financial management system for project funds, unless they have recently been a recent grant recipient under the State CDBG Program and have already received this assistance.

J. PUBLIC OR PRIVATE SECTOR COMMITMENTS

If public or private sector resources are to be involved in a proposed CDBG project, the applicant must provide evidence of the firm commitment of these resources. Such commitments should be binding, contingent only upon the award of CDBG funds for the project.

In documenting a public sector commitment, the public agency must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency must be documented by a letter of commitment from the agency involved. The commitment of funds or resources may be made contingent upon the award of CDBG funds for the project.

In documenting a private sector commitment, the private party must specify the amount of the commitment and use of the funds. The commitment must be documented by a letter of commitment on the letterhead of the private participant. The commitment of resources may be made contingent upon the award of CDBG funds for the project. If any portion of the activity is to be self-financed, the private participating party must provide evidence of its financial capability through a corporate or personal financial statement or through other appropriate means.

Grant recipients which will require private, or local, State or federal public resources, in addition to CDBG funds, to implement a proposed CDBG project must have completed, within six months of the date of the announcement of the tentative grant award by the Department of Commerce, all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated.

No CDBG funds will be released to grant recipients until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds, other than for administrative purposes, may be obligated or incurred until this condition is released by the Department.

K. PROGRAM INCOME FROM HOUSING AND PUBLIC FACILITY PROJECTS

NOTE: The following discussion of program income does not apply to economic development projects.

"Program income" is any income earned by either a recipient or subrecipient from CDBG supported activities such as repayments of principal and interest from loans for housing rehabilitation and, if authorized by the Department of Commerce, may be retained at the local level to be used for community development activities eligible under the CDBG program. An applicant requesting to retain program income from housing projects must submit, with its application, a plan for the ongoing use and financial administration of any program income.

The Department of Commerce has the option of establishing a grant condition which requires a grantee to return any program income to the State. The Department would then use the program income returned to the State to fund additional local CDBG projects. HUD regulations provide that the Department must waive this condition "to the extent such income is applied to continue the activity from which such income was derived." The Department's decision to permit a grantee to retain program income from housing projects will be determined based upon the adequacy of the proposed plan for the use and administration of program income submitted as part of the grant application.

Federal regulations provide that if program income is earned prior to closeout of a project, it must be added to funds committed to the project and used to support CDBG eligible activities or spent on costs budgeted for CDBG funds before the grantee can request an additional drawdown of funds from its CDBG project account. The receipt and expenditure of program income must be recorded as part of the financial transactions of the CDBG program. Program income funds received before grant closeout must further be treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

If the Department of Commerce authorizes a grantee to retain program income, any program income received after project completion and grant closeout may be utilized by the grantee for additional CDBG eligible activities according to the terms of the grant closeout agreement. Communities utilizing program income must maintain the following information regarding their use of the funds:

- sources of program income, including interest earned;
- dates and amounts of program income deposits and disbursements; and
- a description of the activities funded with program income.

A summary of this information must be submitted with a grant application by any community which has been receiving program income from a previous CDBG project.

L. DOCUMENTATION

Each applicant should identify the source of supporting data for any statements made in the application. If local research was conducted to support the application, such as a survey of housing conditions or income levels, the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application.

In order to provide common standards for comparison between communities, applicants must utilize the current Department of Commerce model formats available for income and housing condition surveys. The applicant may use a survey conducted previously if it conforms to current Department guidelines and still accurately reflects local conditions.

All original documentation must be retained by the applicant and made available for review in the event that the application is tentatively selected for funding. The lack of adequate documentation to substantiate information contained in the application will be considered sufficient grounds for the Department to re-rank an application, and, if necessary, to withdraw a tentative grant award.

M. MAPS

Each application must include clearly legible maps which illustrate the applicant's political jurisdiction and the proposed project area. Applicants are encouraged to submit maps at the minimum size and scale that will clearly convey all required information. Applicants should submit maps of a different scale where this will increase clarity. More than one type of information may be combined on one map if the information is clearly legible when combined.

a. Political Jurisdiction Map

The map of the applicant's political jurisdiction must identify:

- the boundaries of the entire jurisdiction;

- the project's location within the jurisdiction; and
- if applicable, the service area of the project.

b. Project Area Map

The map of the proposed project area must identify:

- the boundaries of the project area;
- the locations of all proposed activities such as land to be acquired, buildings to be demolished, streets or water lines to be reconstructed, and blocks where housing will be rehabilitated; and
- the boundaries of any 100 year floodplain adopted by the Federal Emergency Management Agency.

Applications for housing grants must include a map depicting the structural condition of all housing units and other buildings within the project area, as well as the locations of structures to be demolished or areas where clearance activities will occur.

All project activities must take place within the project area boundaries, unless specifically authorized by the Department of Commerce.

Maps identifying the enumeration districts within each county may be ordered from the Census and Economic Information Center, Montana Department of Commerce, Capitol Station, Helena, Montana 59620, (Telephone 444-2896). Microfiche copies of the county enumeration district maps are available free; paper copies of the maps may be purchased.

Maps of Montana's counties, cities and towns can also be ordered from the Montana Department of Highways, Planning and Statistics Bureau, 2701 Prospect Avenue, Helena, Montana 59620 (Telephone 444-6119).

Maps of designated flood plains may be ordered from the Montana Department of Natural Resources and Conservation, Flood Plain Management Section, 1520 East Sixth Avenue, Helena, Montana 59620 (Telephone 444-6646).

N. CERTIFICATIONS FOR APPLICATION

Each applicant must agree to comply with all applicable federal and state requirements in implementing their proposed CDBG project, if selected for funding. The major federal requirements are set out in Appendix D (the CDBG Certifications for Application). A copy of the Certifications for Application signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the application for CDBG funds.

Applicants should carefully review these requirements and consider their potential impact when designing their CDBG project. These laws cover a wide range of issues including environmental impacts, labor standards, employment practices, financial management, and civil rights, many of which can have an affect on the costs or

complexity of project administration. Communities with questions regarding any of these requirements and their potential impact on the project being considered should contact the DOC CDBG staff for guidance.

O. RESOLUTION TO AUTHORIZE APPLICATION

Each application for CDBG funds must be accompanied by a copy of a resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application which:

- authorizes the submission of the application;
- states the applicant's willingness to abide by the federal requirements described in the CDBG Certifications for Application (Appendix D); and
- authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

Sample formats for this resolution are available from the Department of Commerce.

The Department of Commerce will assume that the applicant has determined its legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. The Department may request additional information from the applicant if it is aware of any evidence to the contrary.

P. MANAGEMENT PLAN

As part of its application, each applicant must submit a Management Plan which, at a minimum:

1. addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, effective and timely start-up and completion of project activities;
2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project;
3. includes a quarterly schedule for project implementation which identifies the timeframes for major activities and expenditures and the coordination of non-CDBG resources for the project;
4. addresses potential environmental concerns; and
5. if more than a single funding source or organization is involved, a description of how these will be coordinated and directed and when these funds or assistance will be available. The applicant must demonstrate adequate pre-planning to ensure that project activities can

commence quickly if funds are awarded and that firm commitments exist for the other resources to be involved in the project.

To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing within 18-24 months of grant award. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, the Department of Commerce may request additional information.

If an applicant does not believe that it currently has the capacity to manage a CDBG grant, it may propose to hire administrative staff or arrange for project administration by another local government through an interlocal agreement or by contracting for administrative services with a consultant, after grant award. **In all cases, the applying local government assumes direct responsibility for proper financial management of the CDBG funds awarded to it.**

Q. ENVIRONMENTAL IMPACT

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being considered and planned in order to avoid problems which could delay or even prevent a project from being implemented.

Appendix D (Certifications for Application) contains a listing of the major federal environmental statutes and regulations which will apply to all CDBG funded projects. In addition, a form entitled "Checklist of Environmental Considerations for CDBG Applications" is available from the Department to further assist potential applicants to evaluate possible environmental impacts of projects under consideration. Local officials who have any concerns or questions regarding the potential environmental impacts of their proposed CDBG project or the environmental requirements should contact the Department of Commerce for guidance in advance of submitting their application for CDBG funds.

R. DISPLACEMENT

The federal Housing and Community Development Act requires each State to minimize the displacement of persons which may occur as a result of activities assisted with CDBG funds. HUD regulations require that if any CDBG activity could result in displacement, the grantee must adopt a plan for minimizing displacement of persons and mitigating any adverse effects of displacement on low and moderate income persons. CDBG grantees must provide reasonable benefits and relocation assistance to any person involuntarily and permanently displaced as a result of the use of CDBG funds to acquire or substantially rehabilitate property, including businesses. In addition, HUD requires that grantees provide reasonable benefits to persons displaced as a result of the use of CDBG funds in cases which are not governed by the Uniform Relocation Act.

The Act also requires the Department of Commerce "to adopt a residential antidisplacement and relocation assistance plan." In order to receive CDBG funds, grant recipients must certify that they are following the plan. This certification is included in the Certifications for Application (Appendix D) that each applicant must sign and submit with the CDBG application. Montana's Antidisplacement and Relocation Assistance Plan is included in Appendix E.

The act prohibits the use of CDBG funds to displace low or moderate income persons or demolish vacant habitable dwelling units, unless the grant recipient provides replacement housing and pays relocation costs. Replacement housing must be of equal value, be in standard condition, and reasonably expected to be available to low and moderate income persons for ten years.

The one-for-one replacement unit requirement can be waived only if it can be demonstrated that the area has enough vacant habitable and affordable housing for the affected households. However, grant recipients still have to cover all relocation costs and offer a HUD Section 8 housing voucher or certificate or pay subsidies to hold the cost of housing for any displaced household at no more than thirty percent of their gross income, for a period of five years.

Communities planning CDBG projects which may involve displacement of local residents or businesses, should contact DOC for guidance on the federal requirements which will apply.

S. ACQUISITION

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "fair market value". As an alternative "voluntary" acquisition procedures, containing fewer steps, can be undertaken if the local government agrees to waive its right of eminent domain in the event negotiations fail to result in a mutually acceptable agreement. Local governments having any questions regarding acquisition of real estate should contact the Department for further guidance.

IV. APPLICATION EVALUATION AND RANKING

Because of the serious problems faced by Montana communities, the demand for CDBG funds has always far exceeded the amount available. Because the program is so competitive, an application ranking procedure has been developed to provide an objective means to evaluate the degree to which a proposed project responds to the criteria for its type of project. The housing and public facilities categories use different ranking criteria in order to provide measures which are appropriate to each.

The purpose of the CDBG ranking process is to assist in the award of the State's limited CDBG funds to the community projects which, overall, best respond to the requirements and objectives of Montana's CDBG Program. Applications for each grant category will be evaluated by applying the ranking criteria to proposed project activities. These criteria have been established to identify projects which are well planned and most clearly further State and national objectives for the CDBG program. Applications will be evaluated against others competing in the same category. The assignment of points provides a means to objectively rank the projects in order of quality and will be done in a manner that is accountable to the criteria in the guidelines. The point weights also provide a mechanism to compare ranking scores to assure that applications are being evaluated consistently and fairly.

Any project under consideration for a CDBG application should be compared against the ranking criteria for the appropriate grant category. Not all the criteria in each category are of equal importance. Each criterion has been assigned a number representing its relative priority or weight. By reviewing the criteria and weight in potential points assigned to them, applicants should have a better sense of the major issues involved in designing a competitive proposal and the relative effort which should be devoted to responding to each criterion. Any person with a question or concern regarding any of the ranking criteria should contact the Department's CDBG staff prior to application.

The individual applications submitted under each project category will vary depending upon the project activities proposed, the size and character of the municipality or county applying, and each applicant's unique response to its own particular community's specific needs. Because no purely quantitative measures exist which can anticipate the variety of potential community development needs and all responses to them, the ranking must be, in part, subjective. In evaluating the applications, DOC will take into account not only how well each applicant addresses the problems it has defined, but also how its problems and response compare with those of other applicants in the same grant category.

A. RANKING PROCEDURES

Upon submission, DOC CDBG staff will review each application for completeness and for conformance to federal and State CDBG requirements. An application may be disqualified from a scheduled grant competition if it fails to comply with a general requirement applicable to all CDBG applications or a special requirement for the grant category applied for. Disqualified applicants will be notified in writing of the reason for disqualification.

Applicants are expected to keep DOC informed of any developments during the review process which could affect the viability of the proposed project. DOC may contact the applicant to obtain omitted information, to clarify issues, or to verify information contained in the application.

Ad hoc ranking teams for each project category will be appointed from State agency staff. Applications will be evaluated by the ranking teams using the appropriate criteria and numerical point systems described in these CDBG application guidelines. The ranking teams will serve in an advisory capacity to the Director regarding the applications that should be considered for CDBG awards.

DOC may supplement application materials, as needed, by consulting public or private agencies knowledgeable about proposed projects or particular community problems. DOC will provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. Site visits may be made to the proposed project area for the purpose of verifying or further evaluating information contained in the application.

After reviewing each application and any technical review comments, the ranking team will assess the degree to which the proposed project responds to each of the applicable criteria. Scores will be assigned according to the point values established for the criteria. A failure to respond to a criterion will result in no points being awarded for that criterion. If the ranking team determines that the applicant has inadequately documented specific statements or claims made in responding to a criterion, it may assign the application a lower score than would otherwise have been assigned based on the statement or claim itself. Likewise, numerical or percentage claims will be accepted and considered valid only to the extent to which they are clearly substantiated by accompanying documentation.

Because each application must stand or fall according to its intrinsic merits, representatives of applicants will not participate in the application review and ranking process. In making their evaluations the ranking teams may seek the expertise of outside technical authorities, such as staff from the Department of Health and Environmental Sciences.

The ranking teams will submit their written findings and recommendations for grant awards to the Director of DOC for his consideration, based upon the order of scores assigned by the ranking teams for the applicants in each category. The final decision on grant awards will be made by the Director. In the event that the Director revises any of the scores assigned by the ranking teams or selects an application for award other than those recommended by the ranking teams, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternate score was assigned or award was made.

The actual number and types of awards will be subject to funding availability, the amount of each applicant's request, and the procedures set out under "Distribution of Funds." In the event of tie scores, projects will be selected on the basis of the Director's judgment of the overall quality of the proposed projects and their consistency with the goal and objectives of the Montana CDBG Program.

B. SPECIAL REQUIREMENTS AND RANKING CRITERIA

The special requirements for each grant category which must be met in order for an applicant to be eligible for an award of CDBG funds, as well as the ranking criteria applicable to each grant category are set out in separate chapters of these guidelines:

Chapter V - Housing Projects

Chapter VI - Public Facilities Projects.

Each category has its own set of special requirements and ranking criteria which are used to rank projects applying under that category.

V. HOUSING PROJECTS

Note: This chapter covers the special requirements and ranking criteria which are applicable to CDBG housing applications. The chapter must be read in conjunction with Chapter III, General Requirements For All CDBG Applications, which describe the general requirements and policies which are applicable to all applications for CDBG funds.

A. INTRODUCTION

The CDBG housing category is intended for permanent, long-term housing. Projects designed to provide temporary, short term housing (for example, transitional housing, homeless shelters, emergency shelters) would fall under the public facilities category.

The housing grant category allows a variety of activities which can be directed toward improving or preserving residential areas and providing decent, safe, and sanitary housing for low and moderate income families. Of all the three basic types of projects, housing projects normally provide the highest degree of benefit to low and moderate income families. They create the most direct and dramatic visual impact upon a community by improving the quality of homes and removing blighting influences from local neighborhoods. They also create a significant financial impact upon local communities by providing employment for local contractors and sales for building materials suppliers. In addition, a community can establish a revolving loan fund with repayments from the loans it makes with its initial CDBG to make additional housing rehabilitation loans or public improvements in the future.

In housing projects, CDBG funds are most often used to make low or no interest loans to low and moderate income families to allow them to rehabilitate homes in substandard condition. CDBG funds are also frequently loaned to landlords to allow them to rehabilitate rental units which will be rented to low or moderate income families. Rehabilitation focuses on bringing the unit up to basic code standards by improving electrical systems, plumbing, roofing, and providing for energy conservation measures such as installation of adequate insulation or energy-efficient furnaces, doors, and windows. In addition, communities frequently use CDBG funds to demolish vacant unsafe buildings or to make needed improvements in public facilities in conjunction with their housing efforts in order to encourage overall revitalization of the neighborhood selected for housing activities.

CDBG recipients have developed a variety of funding mechanisms to increase the amount of funds available for housing rehabilitation loans by getting local lenders involved in CDBG projects and by encouraging the use of direct low-interest loans to homeowners, rather than grants. HUD has strongly supported these "public-private partnerships" and efforts to "leverage" private investment in housing rehabilitation through the use of CDBG funds to "buy down" private sector loans to the point where they would be affordable to low and moderate income homeowners. Programs which involve local lenders or direct loans from the local government do not have to be overly complex to be successful and are within the administrative capacity of most small communities.

CDBG funds can also be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit development corporation or a community based organization. Housing projects can

also include the clearance or acquisition of sites for use or resale for new housing, site improvements to publicly-owned land to be used or sold for new housing, or conversion of existing nonresidential structures for residential use.

B. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING NEW HOUSING CONSTRUCTION

CDBG funds may be used to finance or subsidize the construction of new permanent residential structures only under the following circumstances:

- If the housing is constructed by a local, private nonprofit organization such as a local development corporation, a small business investment company, or a neighborhood-based organization;
- If grant recipients reconstruct housing on the same site which is owned and occupied by low or moderate income persons where the need for the reconstruction was not determined until after CDBG-assisted rehabilitation began; or
- If grant recipients construct housing of "last resort" under 24 CFR part 42, Sub-part I. This housing is limited to housing newly constructed for persons displaced by a CDBG project in which the project is prevented from proceeding because comparable replacement housing is not available otherwise.

However, several activities which support new housing may be carried out using CDBG funds even if they do not fall within the limited circumstances above under which new housing construction is eligible, including:

- * Acquisition of sites for use or resale for new housing;
- * Clearance of sites for use or resale for new housing;
- * Site improvements to publicly-owned land to be used or sold for new housing;
- * The cost of disposing of real property, acquired with CDBG funds, which will be used for new housing; or
- * The cost of converting an existing non-residential structure to residential use.

C. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING HOUSING REHABILITATION AND NEIGHBORHOOD REVITALIZATION

In addition to the general requirements which are applicable to all CDBG projects, applicants for a housing rehabilitation and neighborhood revitalization grant must meet the following special requirements in order to be eligible for an award of CDBG funds.

1. Structural Condition Surveys and Maps

In order to provide a common standard to allow for comparison between communities, the Department of Commerce has prepared a model structural condition survey form. Applicants planning to conduct a local survey must use the Department's form. Copies are available upon request from the Department.

Applications for housing and neighborhood revitalization grants must include a map depicting the structural condition of housing units and other buildings within the proposed project area.

The map should graphically represent the results of the local survey by indicating the location and condition of all structures in the proposed project area, including:

- Standard housing units;
- Moderately substandard housing units;
- Substantially substandard housing units;
- Severely substandard housing units (appropriate for demolition), and
- Vacant housing units among the above categories.

The general condition of nonresidential structures and land uses within the proposed project area must also be described, as well as any significant blighting features in the area.

2. Housing Data Summary Form

In addition to the structural condition survey and maps, applicants must also complete the Housing Data Summary form, available from the Department. The Housing Data Summary form addresses most areas pertinent to evaluations of applications described in this chapter. This form is used to present data specific to housing conditions within the designated housing project area.

3. Targeting of Housing and Neighborhood Revitalization Projects

Housing and neighborhood revitalization projects should be directed or "targeted" towards a single concentrated area of high need in order to assure adequate recognizable impact. For small communities, the most appropriate area may be the entire community. All project activities must take place within the project area boundaries unless specifically approved by the Department.

4. Code and Standards Enforcement

"Rehabilitation" includes using CDBG funds to make repairs to substandard residential structures to make them meet or exceed requirements contained in current editions of the following:

- HUD Section 8 Housing Quality Standards;
- HUD Cost-Effective Energy Conservation Standards (CEECS);
- National Electrical Code, as amended;
- Uniform Plumbing Code, as amended;
- Uniform Mechanical Code;
- Uniform Building Code
- CABO (Council of American Building Officials) One and Two Family Dwelling Code, as amended; and
- Any locally adopted codes, such as the Uniform Code for the Abatement of Dangerous Buildings, as amended.

The Montana CDBG Program utilizes the definition of "substandard buildings" contained in the latest authorized edition of the Uniform Housing Code published by the International Conference of Building Officials. This information is available from the Department. Copies of the HUD Section 8 Housing Quality Standards and CEECS are also available from the Department.

Permits must be obtained from the Building Codes Bureau of the Montana Department of Commerce for all electrical and/or plumbing work undertaken with CDBG funds unless the grant recipient has been certified by the Bureau to enforce the codes cited above. In such cases, permits will be obtained locally. In addition, in those cases where the grant recipient has not been certified by the Building Codes Bureau, permits must be obtained from the Bureau for general building and mechanical work when rehabilitation involves structures with five or more units, or any commercial or public buildings.

Grantees will be responsible for assuring that such work is inspected by proper authorities. Options to provide code inspection may include interlocal agreements with governments with existing building departments, arrangements with the Building Codes Bureau of the Montana Department of Commerce, or by contracting with qualified, private sector persons. All electrical and/or plumbing work not done by the owner of a single family structure must be done only by electricians and/or plumbers licensed by the State of Montana.

In responding to the "Project Management" ranking criterion, applicants must include a description of their plan to ensure enforcement of the applicable federal and State housing building standards listed above for the housing units to be assisted with CDBG funds.

5. Year-around Occupancy

Housing to be rehabilitated with CDBG assistance must be intended for year-around occupancy by low and moderate income families.

6. Affordability of Rents and Loan Repayments

a. Rents

HUD regulations require that in order for the rehabilitation of multi-unit structures to qualify as benefiting low and moderate income persons, "...the units must be occupied by low and moderate income persons at affordable rents."

Grantees have the option of either establishing their own schedules for affordable rents, or utilizing rent schedules not to exceed the current edition of the HUD "Section 8 Existing Fair Market Rents". This standard specifies maximum rents (including utility costs) by bedroom size, by county, for units available on the open market which already meet decent, safe, and sanitary criteria under federal guidelines, and do not require rehabilitation.

HUD's Fair Market Rents are adopted for the HUD Section 8 program which provides housing for low and moderate income families that cannot afford to pay the prevailing rents in a community. The HUD Fair Market Rents are based on the availability of federal rent subsidies for the families participating in the Section 8 program. Because of this the rents are usually higher than market rates. The use of the HUD Section 8 Existing Fair Market Rents to set ceilings on rental units rehabilitated with CDBG funds (for which no rent subsidy is available) could result in establishing maximum rental rates which may not be affordable to low and moderate income families.

As an alternative, grant recipients are encouraged to establish their own schedules of affordable rents based on actual surveys of prevailing rents in the community for various bedroom sizes of rental units. Consistent with existing policy for other HUD-assisted housing programs, DOC recommends that locally adopted affordable rent schedules be established on the basis of not more than 85% of estimated typical rents in the community, according to the number of bedrooms per rental unit. According to HUD, "the 85 percent figure represents the lowest rent range at which a supply of standard quality units is normally available."

b. Loan Repayments

Where rehabilitation assistance will be provided through loans to homeowners, in order to assure that the assistance will be affordable, grant recipients must incorporate provisions to assure that no more than 30% of a borrower's gross monthly income will be used to repay the principal and interest, plus property taxes and insurance (or 35% if the average cost of monthly utilities is included). Local governments have the option of establishing lower standards or other debt-to-income ratios which consider other existing debt of borrowers, such as an automobile loan or fixed, long-term medical or day care expenses.

7. Mobile Homes

If local guidelines permit the rehabilitation of mobile homes and manufactured houses, the units must conform to the following requirements in order to be eligible for rehabilitation with CDBG funds:

- the unit meets or exceeds the standards established by the National Mobile Home Construction and Safety Standards Act of 1974 (42 USC 5401 et seq.);
- the unit and the land it rests on is in common ownership; and
- upon completion of rehabilitation activities, the unit will be attached to a permanent foundation which cannot reasonably be relocated and which conforms to the Montana Department of Revenue criteria for assessment as an improvement to real property for tax valuation purposes.

The Department will waive these requirements only when it finds, based on information provided by the grantee, that no alternative affordable housing is available for residents of such units in the community.

8. Local Rehabilitation Guidelines

A summary of the local guidelines and procedures to be followed for the proposed housing rehabilitation project must be included in the CDBG application.

Communities have a number of options in designing and implementing a local housing rehabilitation program. The community may define its project area for rehabilitation activity, the persons eligible to receive assistance, the level of rehabilitation activity to be performed, the types of financing techniques to be used, and the contracting and inspection procedures to be followed.

In view of the extent of Montana's needs for rehabilitation of substandard housing and the limited CDBG funds available, the Department of Commerce encourages applicants to address the following in their rehabilitation guidelines:

- special financing techniques to "leverage" CDBG funds to encourage investment by homeowners and lenders, thereby increasing the total amount of funding available in order to assist a greater number of households;
- the targeting of assistance to low and moderate income households identified as having special needs such as those with low incomes, female heads of household, or elderly, handicapped or minority members;
- specific financing procedures designed to recognize homeowners' existing housing costs and ability to afford the costs of rehabilitation and policies to provide a reasonable return on investment for rehabilitation of rental units undertaken by landlords;

- the establishment of a reasonable ceiling on the amount of funds to be spent on any one household;
- policies to encourage comprehensive rehabilitation work on individual units to restore them to a safe, decent and sanitary condition and provide a suitable living environment with primary emphasis on addressing basic housing code deficiencies, and
- policies to encourage the removal of neighborhood blight.

References for Preparing Local Housing Rehabilitation Program Guidelines

- DOC has copies available of a 1986 HUD publication, Housing Rehabilitation for Small Cities (Second Edition) which includes an excellent discussion of the key issues involved in designing a local CDBG housing rehabilitation program, including an explanation of various techniques for encouraging the leveraging of private funds and for analyzing applicants' ability to repay rehabilitation loans.
- DOC has reprinted copies of the City of Havre's "Policies and Procedures Manual" for its East End Neighborhood Revitalization Project. The Havre manual includes copies of administrative forms and requirements, including a specification manual.
- A workbook prepared for a statewide housing rehabilitation workshop conducted by DOC in 1985 is also available upon request. The workbook contains additional information regarding leveraging techniques, program marketing, and specification writing for rehabilitation bids.
- Copies of Chapter 10, "Housing Rehabilitation," from the most current edition of the DOC CDBG Grant Administration Manual are available upon request. The chapter includes a discussion of the major issues involved in administering a local housing and neighborhood revitalization project.

Copies of local housing rehabilitation program guidelines from other communities, as well as copies of previously successful CDBG applications and other related reference materials are also available upon request from DOC staff.

D. APPLICATIONS ON BEHALF OF NONPROFIT ORGANIZATIONS

Applicants applying on behalf of nonprofit organizations must submit the information described in Appendix H, Special Requirements for Projects Involving Nonprofit Organizations.

HOUSING CATEGORY RANKING CRITERIA

Housing applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points, based on the following ranking criteria:

1.	Needs Assessment and Citizen Participation	75 Points
2.	Need	150 Points
3.	Community Efforts	100 Points
4.	Project Strategy and Impact	200 Points
5.	Benefit to Low and Moderate Income	200 Points
6.	Project Management	<u>75 Points</u>
	TOTAL:	800 Points

1. NEEDS ASSESSMENT AND CITIZEN PARTICIPATION -- 75 points.

In responding to this criterion, applicants should address the following:

- the thoroughness of the applicant's needs assessment process and citizen participation efforts, including efforts to involve low and moderate income residents;
- the relationship of the proposed housing project area to the needs assessment;
- the rationale for selection of the housing project;
- the degree to which the applicant has developed a reasonable, complete, and appropriate strategy for dealing with its housing needs in relation to its financial capacity and available sources of funding; and
- the degree to which the needs of low and moderate income residents have been considered by the applicant and how the proposed project will benefit low and moderate income persons.

In applying the "Needs Assessment and Citizen Participation" criterion, the Department will consider whether:

- a. there is evidence of active citizen participation, especially that of low and moderate income residents, in the development of the community needs assessment, in the selection of the CDBG project and project area; and of the applicant's efforts to thoroughly address any adverse impacts of the project on low and moderate income residents;
- b. the applicant has reviewed its alternatives for addressing its community development needs for economic development, housing, and public facilities, taking into consideration all local, State and federal sources and has developed a reasonable and achievable long-term plan for dealing with its overall needs in relation to its financial capacity and available sources of funding;
- c. the applicant has established priorities for dealing with its overall housing and related needs; has reviewed its alternatives for dealing with those needs, taking into account all local, State and federal housing resources; and has developed a well-reasoned and achievable long-term plan to respond to local housing needs; and
- d. the applicant has thoroughly documented and assessed its overall community housing and related needs as well as the needs within the project area, including the particular needs of both low and moderate income households (including owners and renters) and households which may have special needs such as those with low incomes, female heads of family and minority, elderly or disabled household members;

- e. the applicant has demonstrated a sound rationale describing why the activities proposed are the most appropriate ones to meet the identified needs by discussing the alternatives considered before selecting this option.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

BEST	75 points
ABOVE AVERAGE	56 points
AVERAGE	38 points
BELOW AVERAGE	19 points

2. NEED -- 150 points

The need for housing improvements or neighborhood revitalization generally results from the deterioration of the local housing stock or the lack of affordable housing due to an inadequate supply of rental units or due to low incomes and high interest rates and energy costs. Each applicant must provide a narrative and map which describe the nature of the overall housing needs within the community, the proposed project area and, if applicable, any blighting influences impacting the project area.

For applications proposing housing rehabilitation activities the narrative must include a description of the project area including the number and percentage of:

- standard housing units;
- moderately substandard housing units;
- substantially substandard housing units;
- severely substandard housing units (appropriate for demolition); and
- vacant housing units among the above categories.

Applicants must attach the completed **Structural Condition Survey** form and **Housing Data Summary** form available from the Department.

The description must differentiate between housing conditions for owner-occupied versus rental housing units. The description and accompanying map must also address the general condition of nonresidential structures and land uses within the proposed project area, as well as any significant blighting features in the area.

In applying the "Need" criterion, the Department will consider whether:

- a. compared with all other housing applications, the applicant has thoroughly analyzed housing conditions and has strongly documented the inadequacy of the project area housing stock, major and serious dilapidation or deterioration, and/or the existence of severe blighting conditions and revitalization needs in the neighborhood, particularly as these conditions affect households identified as having special needs such as those with low incomes, female heads of households, or elderly, handicapped or minority members; and
- b. in the case of housing rehabilitation proposals, the applicant has strongly documented a reasonable percentage of substandard housing units that are suitable for rehabilitation.

The applicants considered to be facing the highest overall need for housing rehabilitation, new housing construction, and/or neighborhood revitalization will receive the highest score. All other applications will be ranked against the highest scoring applicants as follows:

HIGHEST NEED	150 points
ABOVE AVERAGE	113 points
AVERAGE	75 points
BELOW AVERAGE	38 points

3. COMMUNITY EFFORTS -- 100 points

Each applicant must demonstrate that the proposed CDBG activities offer a solution to an identified community development need which could not reasonably be accomplished by the applicant without CDBG assistance. The applicant must demonstrate that the level of local public and private financial participation in the proposed project is the maximum that it can reasonably be expected to provide. The applicant should outline steps taken to secure financing or other resources, and the results of those efforts.

The Department will consider whether the applicant has provided evidence of serious efforts to thoroughly seek out and secure the firm commitment of alternative or additional funds and services from all appropriate public or private sources to enhance the impact of the proposed project.

In documenting a commitment, the applicant must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency, private organization, or lender must be documented by a letter of commitment from the agency, organization, or lender involved. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the project.

In applying the "Community Efforts" criterion, the Department will consider whether:

- a. the applicant has demonstrated that the level of local public and private sector financial participation in the proposed project is the maximum that can reasonably be expected;
- b. the applicant has undertaken or will undertake non-CDBG financed efforts in the community and/or project area to address the identified housing and neighborhood revitalization needs such as improvements to public facilities, community or neighborhood "cleanup", "paint-up", "fix-up" campaigns by volunteer civic groups or the local government, establishment of tax incentives for building remodeling authorized under Montana law (Section 15-24-1501, MCA), or adoption of "community decay" ordinances for blight removal as authorized under Montana law (Section 7-5-2111, MCA, for counties, and Section 7-5-4104, MCA, for municipalities);
- c. the applicant has enforced or is prepared to aggressively enforce the Uniform Code for the Abatement of Dangerous Buildings to eliminate dilapidated or deteriorated buildings, such as the clearance of a substantial portion of unsafe, vacant, deteriorated structures which cannot be economically rehabilitated;
- d. the local governing body has officially adopted a housing plan and has integrated it with its local planning and zoning policies;
- e. if program income from previous CDBG housing grants has been received, the applicant has documented the successful use of the program income funds to further address the housing needs of low and

moderate income households and will commit any available funds to the project; and

- f. the applicant has secured firm commitments from local lenders to provide private funds in combination with CDBG funds at favorable terms and conditions.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

BEST	100 points
ABOVE AVERAGE	75 points
AVERAGE	50 points
BELOW AVERAGE	25 points

4. PROJECT STRATEGY AND IMPACT -- 200 points

This criterion will consider the degree to which the applicant has developed a complete, well-reasoned, appropriate and achievable strategy; the extent to which the proposed activities represent the applicant's most effective option for achieving maximum impact on identified needs; the degree to which any proposed secondary CDBG activities are clearly complementary; and the applicant's efforts to avoid adverse impacts.

In applying the "Project Strategy and Impact" criterion, the Department will consider whether:

- a. the applicant has developed a complete, well reasoned, appropriate and achievable strategy for dealing with identified housing and neighborhood revitalization needs within the project area, taking into consideration all available public and private resources and local capacity.
- b. the proposed activities and policies represent the applicant's most effective option for achieving maximum impact on identified needs, given the complexity of the needs and the limited funds available for the proposed project;
- c. any proposed secondary CDBG activities are clearly complementary to and in support of the principal housing activity and enhance the overall impact of the project;
- d. the proposed financing terms encourage the "leveraging" of private sector resources and will provide for analysis of the financial situation of each housing assistance applicant, including both homeowners and landlords;
- e. the proposed financing terms and techniques, as well as proposed use of any program income expected to be generated, are appropriate to and affordable for persons to be assisted, including homeowners and owners of rental housing, and consistent with prudent management of limited public funds;
- f. the proposed "leveraging" arrangements are supported by firm commitments from developers and financial institutions, and, therefore, a high likelihood exists that additional housing units will be created or rehabilitated beyond that possible using the CDBG funds alone;
- g. the applicant is dealing comprehensively with the housing needs of homeowners and renters, income categories, and households having special needs, as well as substandard housing units owned or occupied by households ineligible for CDBG assistance;
- h. the applicant will undertake specific local actions to address other identified problems, such as exterior deterioration and appearance or blight, in the project area through code enforcement, demolition of deteriorated structures, improvements to public facilities, or volunteer clean-up or paint-up efforts;

- i. the applicant has realistically assessed the potential response of homeowners and the owners of rental housing to the selected program design;
- j. the proposed project is feasible, given the level of identified needs, time schedule, and available resources (goals considered infeasible or unrealistic will be discounted);
- k. the number and type of housing units and the CDBG cost per unit to be assisted, as well as the extent of improvements proposed, are reasonable when compared with other applicants which propose similar activities;
- l. the project will expand housing opportunity and choice for low and moderate income persons through the provision of housing which was not available previously, such as facilitating the construction of new housing;
- m. if housing rehabilitation is proposed:
 - the applicant has chosen to target a geographic area of high need, in terms of concentrations of low and moderate income and substandard housing suitable for rehabilitation, which offers a reasonable potential for generating substantial recognizable impact; and
 - the applicant will provide related housing services to the community in support of the housing rehabilitation project such as housing rehabilitation counseling, provision of rehabilitation workshops for non-CDBG eligible residents, or outreach or referral programs to publicize non-CDBG options for financing home improvements;
- n. if land assemblage is proposed, firm commitments have been obtained for new construction on the sites to be acquired; and
- o. if acquisition and demolition is proposed, occupancy of the units identified as requiring clearance has been determined, and if necessary, an appropriate and cost-effective relocation strategy has been developed; and
- p. in instances where the local government or nonprofit entity will assume an ongoing subsidy of the project, the level of subsidy, effect of the subsidy on local revenues, and the anticipated long-term benefits of the project will also be evaluated.
- q. for projects involving improvements to public facilities as part of a housing project, the applicant has:

- taken steps to assure that low and moderate income households will not be adversely affected financially by increased assessments or service charges; and
- described how the public facilities activities will relate to the project area and the overall public facilities system and have a substantial impact on the identified deficiencies.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

BEST	200 points
ABOVE AVERAGE	150 points
AVERAGE	100 points
BELOW AVERAGE	50 points

5. BENEFIT TO LOW AND MODERATE INCOME -- 200 points

This ranking criterion assesses the extent to which CDBG funds will be used to benefit low and moderate income persons by dividing the total amount of non-administrative CDBG funds proposed to be used to benefit low and moderate income households by the total amount of non-administrative CDBG funds requested by the applicant.

Under federal law CDBG-funded housing activities can be considered to benefit persons of low and moderate income only to the extent that the housing will, upon completion, be occupied by low or moderate income persons.

Applicants will be assigned four points for each percentage of benefit to low and moderate income persons over fifty percent. Fractional percentages will be rounded to the nearest whole number.

Documentation for benefit to low and moderate income persons must be consistent with the most recent edition of the Department of Commerce guidelines, Documenting Benefit to Low and Moderate Income Persons, and described on the form provided in those guidelines.

6. PROJECT MANAGEMENT -- 75 points

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start-up and completion of project activities.

In applying the "Project Management" criterion, the Department will consider whether:

- a. the applicant has thoroughly considered the administrative and technical issues involved in the proposed housing project and has developed appropriate responses to them. For instance, for a housing rehabilitation project, the applicant has defined the mechanisms and procedures for analyzing the financial needs of homeowners, renters, and landlords, linkages with area financial institutions, rehabilitation cost estimates, bidding and contracting procedures, construction supervision and inspections, building code inspections, energy audits, coordination with other related programs (weatherization or rental rehabilitation), and maintenance training for homeowners;
- b. a realistic and reasonable construction or rehabilitation cost per housing unit has been estimated in relation to the housing standard the applicant proposes to achieve, the severity of needs described in the application, and the types of housing units to be addressed;
- c. a realistic and reasonable administrative cost per unit has been proposed, including general administration, inspections, work write-ups, travel, meetings with contractors, and applicant eligibility screening;
- d. the applicant has identified (or developed position descriptions for) the person or persons who will be responsible for day-to-day project management and financial management or has identified any services which will need to be contracted for to carry out the project;
- e. all budgeted costs and the proposed implementation schedule are clearly reasonable and well supported;
- f. the applicant has demonstrated adequate pre-planning to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for any other public or private resources to be involved in the project;
- g. the applicant has addressed environmental concerns and there appear to be no major problems, or appropriate responses for identified problems have been described. In addition, the project will avoid adverse impacts on the environment, including historic resources, and displacement of individuals which may result from the proposed activities;
- h. if leveraging or other special financing techniques are proposed, the applicant has developed a sound administrative mechanism; has provided

thorough documentation in support of any claims for leveraged funds; has demonstrated that the proposal is appropriate and feasible given the resources of the applicant and the lending institution to be involved, and is consistent with prudent management of limited public funds;

- i. if acquisition, demolition or displacement are proposed, the applicant has thoroughly considered the administrative and technical issues, mechanisms and procedures that will be involved in carrying out these activities;
- j. if other funding sources or organizations will be involved in the project, the applicant has adequately described how these will be coordinated and directed;
- k. for applications where facilities or activities are proposed that will remain the responsibility of a nonprofit entity, the proposed project will also be evaluated on the basis of the past performance of the organization and adequacy of documentation to demonstrate the ability of the facility or activity to support itself over time;
- l. if income is to be generated by CDBG-funded activities, a plan has been developed for the use of that money and long-term administrative mechanisms have been proposed. (If a revolving loan fund is to be established with project income, procedures must be outlined covering loan application processing, approval, negotiation, pricing, packaging, servicing, etc.);
- m. if existing structures are to be rehabilitated for multiple family housing or if new housing construction is proposed, the applicant has provided additional applicable information such as preliminary site and/or floor plans, and has addressed issues such as compliance with handicapped access, prevailing wage rates and local zoning requirements; and
- n. if a previous grantee under the State CDBG Program, performance of project management responsibilities has been above average or superior.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

BEST	75 points
ABOVE AVERAGE	56 points
AVERAGE	38 points
BELOW AVERAGE	19 points

VI. PUBLIC FACILITIES PROJECTS

NOTE: This chapter covers the special requirements and ranking criteria which are applicable to CDBG public facilities applications. The chapter must be read in conjunction with Chapter III, General Requirements For All CDBG Applicants, which describes the general requirements and policies which are applicable to all applications for CDBG funds.

A. INTRODUCTION

In public facility projects, CDBG funds are most often used in combination with other federal, state, or local funds to make public improvements affordable to low and moderate income families. Activities may also include direct assistance to low and moderate income families such as payment of assessments or hookup charges for public improvements.

Public facility projects can also include facilities designed for use predominately by persons of low and moderate income such as elderly persons, battered spouses, and homeless or handicapped persons. This can include facilities such as nursing homes, senior centers, mental health centers, shelters for homeless persons, battered spouses or abused children, or group homes for developmentally disabled persons.

Projects designed to provide temporary, short-term housing (for example, transitional housing, homeless shelters, and emergency shelters) would also fall under the public facilities category.

Nonprofit entities may acquire title to public facilities such as senior centers, centers for the handicapped, and neighborhood facilities. When such facilities are owned by nonprofit entities, they must be open for use by the general public during all normal hours of operation.

Special purpose agencies, such as water or sewer districts or associations, considering public facility improvements should carefully review the section for "Eligible Applicants."

Buildings for the general conduct of government are ineligible for CDBG assistance. This includes city halls, county courthouses, county or municipal administrative office buildings or other facilities in which the legislative, judicial or general administrative affairs of government are conducted.

B. FEDERAL REQUIREMENTS REGARDING ASSESSMENTS AND HOOKUP CHARGES

The federal Housing and Community Development Act imposes special requirements on projects which will be financed, in part, by hookup charges or assessments on property, such as through a special improvement district.

1. For Areas with 51% or Greater Low and Moderate Income Persons

If a community intends to finance its public facility project through the creation of a special improvement district (SID) and is requesting CDBG funds to financially

participate in the project, the community would be required to use CDBG funds to pay the entire SID assessment for each low and moderate income household within the project area. If the community determines that the CDBG grant amount is not high enough to allow it to pay assessments for all low and moderate income persons, it would certify that fact to the Department of Commerce, and in this event either:

- provide sufficient CDBG funds to pay all the assessments for low income households only, or
- use a portion of the CDBG funds to pay for all low income households, and distribute the balance of CDBG funds remaining among moderate income households by prorating the amount of CDBG assistance in proportion to the level of household income.

2. Payment of Assessments in Areas with Less Than 51% Low and Moderate Income Persons

A 1990 amendment to the Federal Housing and Community Development Act for the first time authorizes the use of CDBG funds for payment of special assessments levied against properties owned and occupied by persons of low and moderate income in neighborhoods or communities where less than 51% of the residents are low and moderate income (LMI). This would permit a local government to use CDBG funds to pay special assessments levied against properties owned and occupied by LMI persons even when less than 51% of the area residents are LMI.

An important limitation on this option is that CDBG funds can only be used to pay assessments in project areas with less than 51% low and moderate income. For example, CDBG funds could not also be used for engineering or construction expenses. This amendment provides a significant opportunity to provide direct benefit to low and moderate income families through public facilities projects which otherwise would not have been eligible in past years.

Applicants having any questions regarding these requirements should contact the Department of Commerce CDBG staff for guidance.

Note: The above requirements do not apply to public facilities that will be financed through the issuance of revenue bonds.

C. APPLICATIONS FOR ASSISTANCE TO NONPROFIT ENTITIES

Applicants applying on behalf of nonprofit organizations must submit the information described in Appendix H, Special Requirements for Projects Involving Nonprofit Organizations.

PUBLIC FACILITIES RANKING CRITERIA

Public facility applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points:

1. Needs Assessment and Citizen participation	75 Points
*2. Need for Project	150 Points
*3. Appropriateness of the Technical Design	100 Points
*4. Operation and Maintenance	50 Points
5. Readiness and Community Efforts	100 Points
6. Need for Financial Assistance	100 Points
7. Benefit to Low and Moderate Income	150 Points
8. Project Management	<u>75 Points</u>
TOTAL:	800 Points

- * The Montana Department of Health and Environmental Sciences will be asked to evaluate these criteria for water, sewer, or solid waste projects.

1. NEEDS ASSESSMENT AND CITIZEN PARTICIPATION -- 75 POINTS

In responding to this criterion, applicants should address the following:

- the thoroughness of the applicant's needs assessment process and citizen participation efforts, including efforts to involve low and moderate income residents;
- the relationship of the proposed project to the needs assessment;
- the rationale for selection of the project;
- the degree to which the applicant has developed a reasonable, complete, and appropriate strategy for dealing with its public facility needs in relation to its financial capacity and available sources of funding; and
- the degree to which the needs of low and moderate income residents have been considered by the applicant and how the proposed project will benefit low and moderate income persons.

In applying the Needs Assessment and Citizen Participation criterion above, the Department will consider the following:

- a. there is evidence of active citizen participation, including low and moderate income residents, in the development of the community needs assessment, in the selection of the CDBG project and project area, and of the applicant's efforts to thoroughly address the needs of low and moderate income residents;
- b. the applicant has reviewed its alternatives for addressing its community development needs for economic development, housing, and public facilities, taking into consideration all local, State and federal sources, and has developed a thorough and achievable long-term plan for dealing with its overall needs in relation to its financial capacity and available sources of funding, with step-by-step actions necessary to respond to local needs;
- c. the applicant has assessed its public facility needs, and has identified and documented its deficiencies and established priorities for dealing with them;
- d. the applicant has described the technical alternatives considered before selecting the proposed option for resolving its public facility need and has developed a well-reasoned and achievable proposal;
- e. the applicant has proposed improvements necessary in order to comply with a court order or a federal or state agency directive;

- f. the applicant has considered the financial impacts on low and moderate income households as a result of project activities and has proposed administratively sound, cost-effective means of minimizing adverse financial impacts or maximizing benefits, such as establishing a metered water system to allocate costs on the basis of use or payment of assessments, hookup fees or water meter installation charges for low and moderate income households;
- g. the estimated cost per household has been discussed and is documented in the public hearing minutes and affected property owners have been informed of the amounts of any anticipated increases in assessments or user charges through public hearings or other consultations and are in support of the project;
- h. the local governing body has officially adopted a public facilities plan or a capital improvements program and the proposed CDBG project is an integral part of that plan; and
- i. in cases where the proposed project will not completely resolve the community's public facilities need, the project is consistent with an adopted capital improvements program and represents a complete component of the overall program.

Each application will receive points depending upon its overall response to the criterion:

BEST	75 points
ABOVE AVERAGE	56 points
AVERAGE	38 points
BELOW AVERAGE	19 points

2. NEED FOR PROJECT -- 150 points

This ranking criterion will consider the overall need for the activities to be addressed with CDBG funds in comparison with the other public facilities projects submitted for funding. In documenting the need for the proposed CDBG project activities, applicants should address the following as appropriate:

- the degree to which the public facilities problem to be addressed with CDBG funds affects the public's health and safety, and the proportion of the total community that is affected; and
- the immediacy of the public facilities problem to be addressed with CDBG funds, including the cause of the problem, how long the problem has existed, and/or how often it has reoccurred;

The need for the proposed project activities will be assessed by using existing criteria or recommendations of other appropriate public or private agencies, whenever possible. When necessary, the Department will seek technical review by appropriate agencies to evaluate proposals. The Montana Department of Health and Environmental Sciences will be asked to review public facility proposals involving water, sewer or solid waste activities.

Priority will be given to projects which are designed to complement local efforts to eliminate serious and immediate threats to the public's health or safety. This criterion will assess the overall need for the specific activities proposed to be funded with CDBG funds in comparison with other applicants. Combining high priority activities with activities considered to be lower priority could result in the assignment of a lower overall rank. In order to document that serious conditions exist, applicants should submit written verification by a public or private agency other than the applicant (a statewide agency, if possible) that existing conditions pose a threat to the health or welfare of the community or targeted population group.

In applying the "Need for Project Activities" criterion, the reviewing agency will consider whether the applicant has thoroughly documented that:

- a. a serious deficiency exists in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply (or that the community lacks the facility or service entirely);
- b. circumstances clearly attributable to a deficiency have occurred, or are likely to occur, such as serious illness, disease outbreak, substantial property loss or serious environmental pollution;
- c. the entire community or a substantial portion of the residents of the community are seriously affected by the deficiency;
- d. the problem is existing, continual, and chronic as opposed to occasional, sporadic, probable or potential; and
- e. the proposed activities to be addressed with CDBG funds are necessary to comply with a court order or a State or federal agency directive.

Applicants proposing CDBG-funded activities which, overall, are considered to be addressing the most severe and immediate needs will receive the highest score.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

MOST SEVERE AND IMMEDIATE	150 points
ABOVE AVERAGE	113 points
AVERAGE	75 points
BELOW AVERAGE	38 points

3. APPROPRIATENESS OF THE TECHNICAL DESIGN -- 100 points

Applicants for public facility projects must provide, as appropriate, a preliminary engineering or architectural plan or study which is sufficiently detailed to describe the scope of the problem to be addressed as well as the components of and estimated costs for the proposed facility or improvements. The report should describe the technical alternatives considered to deal with the identified problem, the cost projections for each, and the rationale for the selection of the proposed alternative.

Any special features in the project area which will result in an unusual facility design or a costly design (e.g., lack of right-of-way, topography) should be described. Applicants should also indicate the sources of cost estimates for each activity.

Where appropriate, the Department will seek technical review by appropriate agencies. The Montana Department of Health and Environmental Sciences will be asked to review public facility proposals involving water, sewer or solid waste.

If new construction of a building is proposed, the applicant must thoroughly document that no buildings exist within the community which are suitable for purchase and cost effective modification. This documentation should include an analysis of both the physical and financial feasibility of existing buildings and analysis that the most appropriate and cost effective alternative is new construction.

If rehabilitation of an existing building is proposed, the applicant must thoroughly document that the proposed improvements are the most reasonable, represent the best long-term solution, and are the most cost-effective to meet clearly defined deficiencies.

In applying the "Technical Design" criterion, the reviewing agency will consider whether:

- a. the project thoroughly addresses the problem and provides a reasonably complete and long-term solution in relation to the applicant's financial capacity and available funding sources; and
- b. after thoroughly considering all reasonable alternatives, the technical design proposed for the project represents the most efficient, appropriate, and cost effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, and the cost of the project.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

BEST	100 points
ABOVE AVERAGE	75 points
AVERAGE	50 points
BELOW AVERAGE	25 points

4. OPERATION AND MAINTENANCE -- 50 points

Applicants must provide a description of their plan to physically and financially maintain the proposed public facility project, or the total system of which the project is a component, over the long term after construction.

The Montana Department of Health and Environmental Sciences will be asked to review public facility proposals involving water, sewer, or solid waste.

In applying the "Operation and Maintenance" criterion, the reviewing agency will consider whether:

- a. the applicant's long-term plan for financial and physical operation and maintenance of the facility or the overall system appears sound and thorough;
- b. the applicant's past performance has demonstrated that reasonable operation and maintenance costs, and practices have been and are likely to be supported by the community over the long-term, including adequate reserves for repair and replacement;
- c. if applicable, adequate training for maintenance staff and public works operators has been and will be provided; and
- d. if there are indications that the problem is not of recent origin or has developed because of past inadequate operation and maintenance practices, the applicant has thoroughly explained the circumstances and described the actions that will be taken in the future to assure that the problem will not reoccur.

Each application will receive points depending upon its overall response to the criterion in comparison to the other applications submitted:

BEST	50 points
ABOVE AVERAGE	38 points
AVERAGE	25 points
BELOW AVERAGE	13 points

5. READINESS AND COMMUNITY EFFORTS -- 100 points

This criterion will assess the applicant's readiness to promptly complete the project if awarded CDBG funds and the applicant's efforts to secure alternative or additional funds from appropriate public and private sources to finance the proposed project.

Note: In documenting a public commitment, the public agency must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency or private organization must be documented by a letter of commitment from the agency or organization involved. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the proposed project.

In order to be eligible for an "above average" or higher score, an applicant for a CDBG public facility grant must document the following:

- a. the applicant is ready to proceed with the project immediately following normal CDBG grant start-up procedures; and
- b. alternative funding sources are committed and available to assure substantial completion of construction during the first year following grant award; or
- c. if a funding commitment has not been secured, the applicant has provided evidence of serious efforts to thoroughly seek out and secure the firm commitment of alternative or additional funds from all appropriate public or private sources to finance or assist in financing the proposed project.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

BEST	100 points
ABOVE AVERAGE	75 points
AVERAGE	50 points
BELOW AVERAGE	25 points

6. NEED FOR FINANCIAL ASSISTANCE -- 100 points

The "Need For Financial Assistance" criterion will assess the degree to which the applicant has clearly documented that its request for CDBG financial assistance is necessary and reasonable, relative to its financial capability and the amount of CDBG assistance requested per benefiting household, in comparison to other applications. The purpose of this criterion is to assess the financial need of the applicant for CDBG funds compared to all other local, state, and federal financial resources currently or potentially available to the applicant.

Each applicant must demonstrate that the proposed CDBG activities offer a solution to an identified community development need which could not reasonably be accomplished by the applicant without CDBG assistance. The applicant must substantiate that other private or local, State or federal resources are not available at reasonable cost to address the identified need and must demonstrate that the level of local financial participation in the proposed project is the maximum that it can reasonably be expected to provide.

CDBG funds should be requested only for the difference between the total cost of a project and the amount of funds that an applicant can reasonably provide. Each community is expected to contribute a reasonable share of project costs and to request the least amount of CDBG funds necessary to complete a project.

In responding to this criterion, the applicant should document local financial constraints such as existing mill levies set at the legal ceiling, outstanding indebtedness at or approaching the limits set by State law, bonding capacity insufficient to fund the entire project, continued past increases in service rates, and/or existing or proposed service rates that are well above average. In order to provide a common basis for comparison of the financial situation of applying communities, each applicant must complete the Public Facilities Financial Information form available from the Department of Commerce.

The amount of non-administrative CDBG funds requested per household for the project area must be reasonable relative to other applicants. In no case should the request exceed \$10,000 per household, unless both affordability tests in section b.1. and b.2. below are met.

Eligibility to Receive an "Above Average" or Higher Score

There are two alternative ways to be eligible to receive an "above-average" or higher score. (Historically, an "above average" or higher score on this criterion has been necessary in order to be successful.)

- a. applicants must contribute local funds equal to 25% of the non-administrative (i.e., construction and engineering) CDBG funds requested as part of the project budget. For example, if a community intends to request \$200,000 in CDBG funds for assistance in financing engineering and construction costs, it would have to provide a \$50,000 matching contribution; or

b. applicants for water and sewer projects must meet or exceed at least one of the two affordability tests listed below:

1. The proposed annual average water or sewer rate, even with CDBG assistance, would exceed one percent (1%) of the median family income for the city, town, or county census division in which the project is located, (according to the table presented in Appendix F); or
2. The proposed bonded indebtedness per household for the project area for the water or sewer utility, with CDBG assistance included, would exceed eight percent (8%) of the median family income for the city, town, or county census division in which the project is located (according to the table presented in Appendix F).

In those cases where an applicant is proposing to address two or more utilities in one project, such as both water and sewer, the above standards would apply to the "higher cost" utility, for example, the utility with the higher user rate or higher per household bonded indebtedness.

A high water rate or high water bonded indebtedness cannot be used as the basis of a waiver for a sewer project or vice versa.

For public facility projects other than those involving water or sewer, the Department will consider waiving the above expected level of local financial participation where other indicators of financial capacity clearly indicate that higher local financial participation is not reasonable or appropriate. In the case of local governments which are applying on behalf of private nonprofit organizations, the application should state whether funds were requested from the sponsoring local government to assist in financing the project. Specific justification for the level of local government participation must be provided.

Definition of "Local Contribution"

For purposes of evaluating this criterion, the local share of the non-administrative (i.e., construction and engineering) budget may be provided either by a direct cash contribution or by incurring a loan or issuing bonds to be paid through user charges or property tax assessments. "In-kind" services (such as land, labor or materials), debt incurred prior to grant application, or grants from other sources are not eligible to document the applicant's local share of project costs.

In applying the "Need for Financial Assistance" criterion, the Department will consider whether:

- a. the applicant will contribute local funds equal to 25 percent of the non-administrative CDBG funds requested, unless the criteria for waiver have been met;
- b. the applicant has clearly documented that all avenues to fund the proposed project with local resources have been exhausted and that the proposed level of local financial participation in the project is the maximum that can reasonably be expected;
- c. the proposed project could not reasonably be accomplished without CDBG assistance to fill a financial gap;
- d. low and moderate income households are concentrated in the project area, or would be principal beneficiaries of the public facility, and a thorough analysis of project costs clearly documents the residents' lack of ability to pay the projected costs without CDBG assistance;
- e. the applicant's share of project costs will ultimately be borne by all the taxpayers or ratepayers in the community rather than by the low and moderate income beneficiaries of the project; and
- f. in instances where the local government or nonprofit entity will assume an ongoing subsidy of the project, the level of subsidy, effect of the subsidy on local revenues, and the anticipated long-term benefits of the project will also be evaluated.
- g. in the case of water or sewer projects, the amount of CDBG funds per household to be assisted does not exceed \$10,000 per household, unless both affordability tests in section b.1. and b.2. have been met.

Each application will receive points depending upon its overall response to the criterion in comparison to the other applications submitted:

BEST	100 points
ABOVE AVERAGE	75 points
AVERAGE	50 points
BELOW AVERAGE	25 points

7. BENEFIT TO LOW AND MODERATE INCOME -- 150 points

In order for a public facilities project to be funded, it must be determined that it will principally benefit persons of low and moderate income. Project activities must:

- a. be carried out in a neighborhood consisting predominately of persons of low and moderate income and provide services for such persons;
- b. involve facilities designed for use predominately by persons of low and moderate income; or
- c. be limited to paying special assessments levied against properties owned and occupied by persons of low and moderate income, where the CDBG assistance is for a public improvement that provides benefits to all the residents of an area.

This ranking criterion assesses the extent to which CDBG funds will be used to benefit low and moderate income persons by dividing the total amount of non-administrative CDBG funds proposed to be used to benefit low and moderate income households by the total amount of non-administrative CDBG funds requested by the applicant.

Applicants will be assigned three points for each documented percentage of benefit to low and moderate income persons above fifty percent. Fractional percentages will be rounded to the nearest whole number.

Documentation for benefit to low and moderate income must be consistent with the most recent edition of the Department of Commerce guidelines, Documenting Benefit to Low and Moderate Income Persons, and described on the form provided in those guidelines.

8. PROJECT MANAGEMENT-- 75 points

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper short and long-term management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start-up and completion of project activities.

In applying the "Project Management" criterion, the Department will consider whether:

- a. the applicant's plan for assuring proper short and long-term management of the CDBG project is sound and appropriate, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start up and completion of project activities;
- b. the applicant has demonstrated that the activities are feasible and achievable, taking into consideration the size and resources of the community and the budget and implementation schedule proposed, and can be conducted consistent with applicable State and federal requirements;
- c. the applicant has demonstrated adequate pre-planning to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for any other resources to be involved in the project;
- d. the applicant has incorporated features in the overall project design to assure that sound management concepts are followed for the long-term. For example, when proposing major improvements to a community water system, the applicant will institute water metering to encourage conservation and a more equitable assignment of user costs, or a well-head protection plan for a new water source;
- e. the applicant has addressed environmental concerns and there appear to be no major problems, or appropriate responses for identified problems have been described. In addition, the project will avoid adverse impact on the environment, including historic resources, and displacement of individuals which may result from the proposed activities;
- f. the applicant has identified (or developed position descriptions for) the person or persons who will be responsible for day-to-day project management and financial management or has identified any services which will need to be contracted for to carry out the project;
- g. in cases where direct financial assistance to low and moderate income persons is proposed, the applicant:
 1. has developed a sound and cost-effective targeting mechanism which is appropriate and feasible given the administrative resources of the applicant; and

2. has provided thorough documentation in support of any claims of benefit to low and moderate income persons; and
 3. can assure completion of the targeting assistance within the term of the project.
- h. in cases where more than a single funding source or organization is involved, the applicant has described how these will be coordinated and directed;
 - i. for applications where facilities or activities are proposed that will remain the responsibility of a nonprofit entity, the proposed project will also be evaluated on the past performance of the organization and level of documentation demonstrating the ability of the facility or activity to support itself over time; and
 - j. in cases where the applicant is a previous grantee under the State CDBG Program, performance of project management responsibilities has been above average or superior.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

BEST	75 points
ABOVE AVERAGE	56 point
AVERAGE	38 points
BELOW AVERAGE	19 points

VII. PROCEDURES FOR GRANT AWARD

A. ANNOUNCEMENT OF RANKING RESULTS AND GRANT AWARDS

As soon as possible after the selection of applicants to receive awards is completed, the Director will notify all applicants of the final results in writing. A summary of the final ranking results will be provided to each applicant along with the written findings of the team that reviewed the application.

Funds will be tentatively allocated to the selected applications. The tentative allocation of funds does not imply approval of all activities or costs proposed in the selected application. The proposed work program and budget may be subject to minor modification during subsequent contract negotiations between the applicant and the Department. The formal award of funds will be contingent upon the execution of a contract between the applicant and the Department in accordance with all applicable federal and State requirements.

B. RE-RANKING OF APPLICATIONS

Re-ranking may be considered in the event that an applicant tentatively selected to receive CDBG funds is unable to substantiate information contained in the application which may have been a determining factor in the ranking score received or if an applicant requests modification of any activities proposed in the original applications. (See procedures under Section H, Grant Amendment, Chapter VIII, PROJECT START-UP PROCEDURES.)

C. APPLICATION REVIEW

Department of Commerce CDBG staff will review applications with applicants on request to discuss the evaluation and ranking of their applications.

A file will be maintained for each application, including the written findings of the team that reviewed the application. After grant awards have been announced, the application files will be available for public review upon request in the Department's offices in Helena, Montana.

D. APPLICANT APPEAL

Appeals will be granted only on the basis of miscalculation of the arithmetic scores. In the event that the Department determines that a miscalculation of scores occurred and resulted in an application not being selected for funding that otherwise would have been selected, the Department will reserve funds from the fiscal year 1993 CDBG State allocation sufficient to fund that application. Those funds will be made available as soon as is practicable. If any other applicant tentatively selected for fiscal year 1992 funding is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment to that applicant will be withdrawn and made available to that applicant erroneously scored. The reservation of the 1993 CDBG funds would then be adjusted or cancelled, as appropriate.

VIII. PROJECT START-UP PROCEDURES

A. AMOUNT OF GRANT AWARD

Funds will be tentatively awarded to selected applications by the Department of Commerce. While grant ceilings establish the maximum amounts which may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant. Tentative amounts greater or less than the amount originally requested may be awarded, at the discretion of the Department. The tentative award of funds does not imply approval of all activities or specific costs proposed in the selected application. The proposed work program and budget may be subject to modification during subsequent contract negotiations between the applicant and the Department. The Department will not grant additional funds to pay for project costs which exceed the contract grant award.

In the event a project can be completed for less than the grant amount, the difference between actual project costs and the original grant award will be reserved by the Department for unfunded or inadequately funded projects or added to the following fiscal year's CDBG allocation. The Department will amend the grant contract to reflect the reduced costs.

In certain circumstances excess funds may be used for an eligible activity which further enhances the contracted project. Before the Department makes a determination to allow the additional activity, the grantee must demonstrate that the activity will: clearly enhance the overall impact of the original project; provide adequate benefits to low and moderate income persons; be completed in a timely manner; and be able to be completed with the excess funds. The grantee must have also demonstrated satisfactory progress toward completion of the original contracted project activities.

B. PROJECT START-UP REQUIREMENTS

Within four months of the date of the announcement of the tentative grant award by the Montana Department of Commerce, each applicant selected for CDBG funding must execute a grant contract with the Department.

Within six months of the date of the announcement of the tentative grant award by the Department, each applicant selected for CDBG funding must:

- comply with all applicable State and federal requirements for project start-up;
- establish with the Department a mechanism for transfer of CDBG funds to the grantee;
- submit an acceptable management plan and schedule for local CDBG project administration and implementation; and
- fulfill other appropriate contract terms established by the Department.

In the event that these conditions have not been met, the tentative award will be withdrawn and the funds reallocated according to the State CDBG Program project ranking and grant award procedures, unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time to meet these conditions.

No applicant which has been tentatively selected for CDBG funding may obligate or incur costs for CDBG funds until specifically authorized in writing by the Department. Funds obligated or expenses incurred without proper authorization will be the responsibility of the grantee and cannot be reimbursed by CDBG funds at a later date. Incurring costs includes actions such as hiring staff or entering into a contract for engineering or management services or for acquisition of land.

It will take at least two months before any funds will actually be received. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and Department must be prepared, the grantee must conduct a review of environmental factors, and all the details for assuring proper management of the project and the federal funds must be finalized.

C. GRANT CONTRACT

After an application is tentatively selected for funding, a grant contract will be prepared. The grant contract is the legal document which governs the administration of the grant and includes the following items:

- the amount of CDBG funds to be provided;
- a detailed budget for the CDBG funds and any other funds involved in the project;
- the schedule for implementation of project activities and the scope of work to be completed; and
- the general and special terms and conditions associated with the grant.

The application as approved will become part of the grant contract.

No CDBG funds will be released to the grantee until a grant contract is fully executed and all project start-up requirements complied with.

D. COMPLIANCE WITH STATE AND FEDERAL REQUIREMENTS

It is the responsibility of all CDBG grantees to comply with all applicable federal and State laws, executive orders, and regulations affecting their projects. The Department will conduct training sessions to familiarize local officials of the recipient communities with these requirements. Participation is mandatory.

E. COMMITMENT OF NON-CDBG RESOURCES

Grantees which will require private, or local, State or federal public resources, in addition to CDBG funds, to implement a proposed CDBG project must have completed, within six months of the date of the announcement of the tentative

grant award by the Department of Commerce, all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated. The Department encourages applicants to secure firm commitments from all non-CDBG funding sources prior to submission of their CDBG application.

No CDBG funds will be released to the grantee until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds, other than for administrative purposes, may be obligated or incurred until this condition is released by the Department.

F. PROJECT MONITORING

During the course of the local CDBG project, the Department will monitor each grantee through periodic on-site visits and written progress reports, so that any problems which might occur may be resolved as soon as possible. It is the Department's goal to assist and support grantees in complying with applicable State and federal requirements and in implementing their project activities.

Grantees will be required to maintain complete financial and program files, and to comply with program reporting requirements. Representatives of the Department must be provided reasonable access to all books, accounts, records, reports and files pertaining to CDBG funded activities. Grantees must also provide citizens with reasonable access to records regarding the use of CDBG funds.

G. TIMELY PROJECT COMPLETION

The grant requested, either by itself or in combination with other previously identified funding sources, must be sufficient to complete the proposed activities within the contract period. The contract period is normally 18-24 months from the date of the announcement of the tentative grant award by the Department. The Department will consider each project separately during grant contract negotiations in order to establish a reasonable and realistic date for project completion.

The Department of Commerce reserves the right to withdraw a commitment for any CDBG funds which remain unobligated 24 months after the date of the announcement of the tentative grant award.

H. GRANT AMENDMENT

All grantees must request prior approval of grant amendments such as those involving new activities or alteration of the existing activities or budget or lengthening of the schedule for project implementation, as proposed in the grant application and/or negotiated in the grant contract. Before the Department makes a determination to allow the amendment, the grantee must clearly demonstrate that the modification is justified and will enhance the overall impact of the original project. The Department will consider each request to determine whether the modification is substantial enough to necessitate reevaluating the project's original ranking. If warranted the Department will analyze the proposed modification and its impact on the scores originally assigned the application.

If re-ranked, in order to be approved, the proposed amendment must rank equal to or greater than the lowest numerical score received by a funded project.

The Department will require that a public hearing with reasonable notice be conducted by the grantee if the proposed amendment is determined to be a substantial change in project activities proposed in the original application for CDBG funds.

Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental regulations.

APPENDICES

APPENDIX A

STATE OBJECTIVES FOR THE 1992 MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

General

1. Provide funding to communities whose needs are greater than those of other communities and whose projects most effectively address local needs and the goal and objectives of the Montana CDBG Program.
2. Encourage meaningful citizen participation, including efforts to involve low and moderate income persons, in the selection, design and implementation of local community development projects.
3. Ensure that CDBG projects result in sound investment in Montana's communities and are administered efficiently, effectively and consistently with appropriate State and federal policies.
4. Encourage the recognition of potential environmental constraints on community development activities in order to avoid or mitigate potentially adverse impacts upon the human and natural environment.
5. Encourage coordinated long-term strategies for community development activities which are consistent with local planning efforts and capital improvements programming.
6. In order to increase the potential impact of limited CDBG funds, encourage the commitment and coordination of other available public or private resources for community development projects.

Economic Development

7. Encourage viable economic development projects that promote investment of private capital, expansion of local tax bases, and creation of permanent, year around jobs principally for low and moderate income Montanans.
8. Encourage projects that will involve basic economic activities, including manufacturing, import substitution activities; or the distribution of Montana-made goods.
9. Encourage projects that involve the processing, refining, and marketing of Montana's natural resources.

Housing

10. Provide decent, safe, sanitary and energy efficient housing for persons of low and moderate income by conserving and improving the condition of appropriate existing housing stock.

11. Support the revitalization of deteriorated or declining residential neighborhoods through comprehensive neighborhood improvement efforts which address blight, as well as housing and public facility needs, while avoiding displacement of current residents.
12. Encourage the provision of affordable and appropriate housing assistance to low and moderate income households, and in particular, those with special needs such as those with lower incomes, female heads of family, or minority, elderly or disabled members.
13. Increase fair housing opportunity for low and moderate income persons by encouraging efforts by local governments to prevent discriminatory or restrictive housing practices.
14. Encourage private sector investment in housing for low and moderate income households and increase the impact of local housing programs through cooperative arrangements with private lenders and the use of financial leveraging techniques.

Public Facilities

15. Assist communities in providing appropriate and long-term solutions to serious deficiencies in public facilities which are detrimental to the public health and safety and detract from further community development, or which are necessary to meet other essential community needs.
16. Encourage community participation in the financing of public facility projects in proportion to local financial resources and capacity to share in project costs.

APPENDIX B

CITIZEN PARTICIPATION PLAN FOR THE MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

A. Purpose

Pursuant to Section 104(a)(3) of the Housing and Community Development Act, the Montana Department of Commerce (DOC) has prepared the following detailed Citizen Participation Plan. The intent of this plan is to ensure that the citizens of Montana, particularly persons of low and moderate income residing in slum and blight areas or areas in which CDBG funds are proposed to be used, are provided the opportunity and encouraged to participate in the planning and implementation of CDBG-funded activities.

B. Responsibilities of the Montana Department of Commerce

1. Prior to submitting its annual CDBG Application Guidelines to the U.S. Department of Housing and Urban Development (HUD), DOC will in a timely manner:
 - (a) furnish interested citizens and eligible local governments information concerning the amount of funds available for proposed community development and housing activities and the range of activities that will benefit persons of low and moderate income, the State's community development objectives, and the projected use of CDBG funds;
 - (b) publish proposed application guidelines in such a manner to provide affected citizens an opportunity to examine their contents and to submit comments on the proposed guidelines and on the community development performance of DOC; and
 - (c) hold one or more public hearings to obtain the views of citizens on community development and housing needs as authorized by Section 90-1-103, MCA, and under the procedures established by the Montana Administrative Procedures Act, Title 2, Chapter 4, MCA.
2. The Federal Housing and Community Development Act, which established the CDBG program, requires the Department of Commerce to submit a performance and evaluation report to HUD on each of the past annual CDBG programs which have been administered by the State. These reports include a summary of the accomplishments of each local project funded through each fiscal year's program, a description of the use of the funds for each project, a description of the national and state objectives met by each project, as well as a summary of the extent to which low and moderate income persons benefited from each project. These reports were first submitted to HUD in 1986 and are published annually in September. Copies are available from the Department for public review and comment.

3. After providing reasonable notice, the public may review Department of Commerce files pertaining to the past use of CDBG funds under the State CDBG program at the Department's offices in Helena, Montana;
4. The Montana Department of Commerce will give citizens and Montana's local governments reasonable notice of, and an opportunity to comment on, any proposed change in the method of distribution of CDBG funds or any major amendment of the Montana CDBG Program Guidelines. The Department will:
 - (a) publish a notice of the proposed change in order to provide citizens and Montana's counties and municipalities reasonable notice of the change;
 - (b) consider comments received from citizens and local government officials prior to making a final decision regarding the change;
 - (c) publish the change; and
 - (d) submit a copy of the change to HUD.

C. Responsibilities of CDBG Applicants and Recipients

1. Citizen participation in the preparation of CDBG applications

- (a) Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.
- (b) At a minimum, the applicant must hold two public hearings, one before preparing the application and one prior to passage of a resolution by the governing body authorizing the submission of the application. The public hearings may be conducted either as part of a regularly scheduled meeting of the governing body or as hearings convened especially for CDBG purposes.
- (c) A record of the required hearings must be submitted with the application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.
- (d) The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements. The first hearing is also designed to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development,

housing and public facilities, including the needs of low and moderate income persons. In considering the needs of low and moderate income, the governing body is encouraged to consider the needs of households which may be especially needy, such as those with lower incomes, female heads of households or minority, elderly or disabled members. The first public hearing must be held not more than twelve months prior to the date of application.

- (e) The purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's CDBG application, before the community submits its application. The issues which should be considered include the proposed project location, activities, budget (including the estimated amount and sources of funds proposed to be used for activities that will benefit low and moderate income families), any costs to be imposed on residents as a result of the project (particularly those of low and moderate income), and, if appropriate, the plans of the grantee for minimizing displacement of persons as a result of activities assisted with CDBG funds. The second public hearing must be held not more than two months prior to the date of application.
- (f) Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. In addition to the published notices, the applicant should make reasonable efforts to inform citizens of the hearings who may be affected by a CDBG project but who might not be reached through formal newspaper notices. Examples of actions applicants may take to ensure citizen participation include meeting with community groups and leaders prior to public hearings, holding informational meetings, distributing notices of public meetings to residents, or posting of notices in ways customary to the community. These efforts should be especially concentrated in any neighborhood which may be affected by a proposed CDBG project. The hearings should be scheduled at times and locations which will encourage broad citizen participation. (Communities without a newspaper may substitute alternatives such as radio announcements, mailed notices, and posters.)

D. Responsibilities of Both DOC and CDBG Applicants and Recipients.

1. Public Hearings

- (a) Public hearings will be the primary means of obtaining citizen views and responding to proposals and questions related to community development and housing needs, proposed CDBG activities and past CDBG performance.

- (b) Formal public notice will be provided before such public hearings. As circumstances warrant and as DOC and cities, towns and counties determine necessary or appropriate, notice may additionally be specifically directed to persons of low and moderate income, those persons benefiting from or affected by CDBG activities and/or representatives of such persons. Hearings will be held at times and locations convenient to potential and actual beneficiaries and with accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, arrangements will be made to have an interpreter present.

2. Access to Records, Meetings, Information

- (a) DOC and local government applicants for or recipients of CDBG funds will provide citizens with reasonable and timely access to local meetings, information, and records relating to the proposed actual use of CDBG funds.
- (b) Information and records regarding the proposed and past use of CDBG funds will be available at the Montana Department of Commerce, Local Government Assistance Division, Helena, Montana, and at a location designated by each CDBG applicant and grant recipient during regular office hours.

3. Technical Assistance

The Montana Department of Commerce and Montana cities, towns and counties will provide technical assistance to groups representative of persons of low and moderate income that request assistance in developing CDBG proposals. The level and type of assistance which is appropriate will be determined by the Department and each governing body based on its ability to provide or arrange for such assistance, the cost of providing such assistance, and other relevant factors.

4. Complaints and Grievances

DOC and Montana cities, towns and counties will respond to written complaints and grievances concerning their CDBG activities in writing and in a timely manner. When practicable, such written responses shall be made within fifteen (15) working days.

5. Montana Law

DOC and local government applicants for, and recipients of, CDBG funds shall afford Montana citizens reasonable opportunity to participate in governmental actions and decision making as provided under Montana law (Title 2, Chapter 3, MCA).

6. Grant Amendment

- (a) All grantees must request prior approval of grant amendments such as those involving new activities or alteration of the existing activities or budget or lengthening of the schedule for project implementation, as proposed in the grant application and/or negotiated in the grant contract.
- (b) The Department will require that a public hearing with reasonable notice be conducted by the grantee if the proposed amendment is determined to be a substantial change in project activities contained in the original application for CDBG funds.
- (c) Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental requirements.

APPENDIX C

ACTIVITIES ELIGIBLE FOR CDBG ASSISTANCE UNDER THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

The following includes the entire text of Sections 24 CFR (Code of Federal Regulations) Part 570 relating to eligible activities under the Housing and Community Development Act of 1974.

Section 570.201	Basic Eligible Activities
Section 570.202	Eligible Rehabilitation & Preservation Activities
Section 570.203	Special Economic Development Activities
Section 570.204	Special Activities by Certain Subrecipients
Section 570.205	Eligible Planning, Urban Environmental Design and Policy- Planning-Management-Capacity Building Activities
Section 570.206	Program Administration Costs
Section 570.207 dealing with ineligible activities under the CDBG Program is also included.	

(v) The portion of the cost of any improvements that also serve a non-leased part of the building will be allocated to and paid for by the lessor;

(vi) The lessor enters into a binding agreement that unless the lessee, or a qualified successor lessee, retains the use of the leased premises for a wholly secular purpose for at least the useful life of the improvements, the lessor will pay to the lessee an amount equal to the residual value of the improvements;

(vii) The lessee must remit the amount received from the lessor under paragraph (2)(vi) of this section to the recipient or subrecipient from which the CDBG funds were derived.

The lessee can also enter into a management contract authorizing the lessor religious entity to use the building for its intended secular purpose, e.g., homeless shelter, provision of public services. In such case, the religious entity must agree in the management contract to carry out the secular purpose in a manner free from religious influences in accordance with the principles set forth in paragraph (j)(3)(x) of this section.

(3) As a general rule, CDBG funds may be used for eligible public services to be provided through a primarily religious entity, where the religious entity enters into an agreement with the recipient or subrecipient from which the CDBG funds are derived that, in connection with the provision of such services:

(i) It will not discriminate against any employee or applicant for employment on the basis of religion and will not limit employment or give preference in employment to persons on the basis of religion;

(ii) It will not discriminate against any person applying for such public services on the basis of religion and will not limit such services or give preference to persons on the basis of religion;

(iii) It will provide no religious instruction or counseling, conduct no religious worship or services, engage in no religious proselytizing, and exert no other religious influence in the provision of such public services;

(iv) The portion of a facility used to provide the public services shall contain no religious symbols or decorations, other than those permanently affixed to or part of the structure.

(4) Where the public services provided under paragraph (j)(3) of this section are carried out on property owned by the primarily religious entity, CDBG funds may also be used for minor repairs to such property which are directly related to carrying out the public services where the cost

constitutes in dollar terms only an incidental portion of the CDBG expenditure for the public services.

§ 570.201 Basic eligible activities.

CDBG funds may be used for the following activities:

(a) *Acquisition.* Acquisition in whole or in part by the recipient, or other public or private nonprofit entity, by purchase, long-term lease, donation, or otherwise, of real property (including air rights, water rights, rights-of-way, easements, and other interests therein) for any public purpose, subject to the limitations of § 570.207.

(b) *Disposition.* Disposition, through sale, lease, donation, or otherwise, of any real property acquired with CDBG funds or its retention for public purposes, including reasonable costs of temporarily managing such property or property acquired under urban renewal, provided that the proceeds from any such disposition shall be program income subject to the requirements set forth in § 570.504.

(c) *Public facilities and improvements.* Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except as provided in § 570.207(a), carried out by the recipient or other public or private nonprofit entities. In undertaking such activities, design features and improvements which promote energy efficiency may be included. Such activities may also include the execution of architectural design features, and similar treatments intended to enhance the aesthetic quality of facilities and improvements receiving CDBG assistance, such as decorative pavements, railings, sculptures, pools of water and fountains, and other works of art. Facilities designed for use in providing shelter for persons having special needs are considered public facilities and not subject to the prohibition of new housing construction described in § 570.207(b)(3). Such facilities include shelters for the homeless; convalescent homes; hospitals, nursing homes; battered spouse shelters; halfway houses for run-away children, drug offenders or parolees; group homes for mentally retarded persons and temporary housing for disaster victims. In certain cases, nonprofit entities and subrecipients including those specified in § 570.204 may acquire title to public facilities. When such facilities are owned by nonprofit entities or subrecipients, they shall be operated so as to be open for use by the general public during all normal hours of operation. Public facilities and improvements eligible for

assistance under this paragraph are subject to the policies in § 570.200(b).

(d) *Clearance activities.* Clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites. Demolition of HUD-assisted housing units may be undertaken only with the prior approval of HUD.

(e) *Public services.* Provision of public services (including labor, supplies, and materials) which are directed toward improving the community's public services and facilities, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, fair housing counseling, energy conservation, welfare, or recreational needs. In order to be eligible for CDBG assistance, public services must meet each of the following criteria:

(1) A public service must be either a new service, or a quantifiable increase in the level of a service above that which has been provided by or in behalf of the unit of general local government (through funds raised by such unit, or received by such unit from the State in which it is located) in the twelve calendar months prior to the submission of the statement. (An exception to this requirement may be made if HUD determines that the decrease in the level of a service was the result of events not within the control of the unit of general local government.)

(2) The amount of CDBG funds used for public services shall not exceed 15 percent of each grant except as provided in paragraph (e)(3) of this section. For entitlement grants under Subpart D, compliance is based on the amount of CDBG funds obligated for public service activities in each program year compared to 15 percent of the entitlement grant made for that program year.

(3) A recipient which obligated more CDBG funds for public services than 15 percent of its grant funded from Federal fiscal year 1982 or 1983 appropriations (excluding any assistance received pursuant to Pub. L. 98-8), may obligate more CDBG funds than 15 percent of its grant for public services so long as the amount obligated in any program year does not exceed the percentage or amount obligated in Federal fiscal year 1982 or 1983, whichever method of calculation yields the higher amount.

(f) *Interim assistance.*

(1) The following activities may be undertaken on an interim basis in areas exhibiting objectively determinable signs of physical deterioration where the recipient has determined that immediate action is necessary to arrest the

deterioration and that permanent improvements will be carried out as soon as practicable:

(i) The repairing of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings; and

(ii) The execution of special garbage, trash, and debris removal, including neighborhood cleanup campaigns, but not the regular curbside collection of garbage or trash in an area.

(2) In order to alleviate emergency conditions threatening the public health and safety in areas where the chief executive officer of the recipient determines that such an emergency condition exists and requires immediate resolution, CDBG funds may be used for:

(i) The activities specified in paragraph (f)(1) of this section, except for the repair of parks and playgrounds;

(ii) The clearance of streets, including snow removal and similar activities, and

(iii) The improvement of private properties.

(3) All activities authorized under paragraph (f)(2) of this section are limited to the extent necessary to alleviate emergency conditions.

(g) *Payment of non-Federal share.* Payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of CDBG activities, provided, that such payment shall be limited to activities otherwise eligible and in compliance with applicable requirements under this subpart.

(h) *Urban renewal completion.* Payment of the cost of completing an urban renewal project funded under Title I of the Housing Act of 1949 as amended. Further information regarding the eligibility of such costs is set forth in § 570.801.

(i) *Relocation.* Relocation payments and other assistance for permanently and temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations where assistance is:

(1) Required under the provisions of § 570.606 (a), (b) or (c); or

(2) Determined by the recipient to be appropriate under the provisions of § 570.606(d).

(j) *Loss of rental income.* Payments to housing owners for losses of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by program activities assisted under this part.

(k) *Removal of architectural barriers.* Special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately

owned buildings, facilities, and improvements.

(l) *Privately owned utilities.* CDBG funds may be used to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and facilities of privately owned utilities, including the placing underground of new or existing distribution facilities and lines.

(m) *Construction of housing.* CDBG funds may be used for the construction of housing assisted under section 17 of the United States Housing Act of 1937.

§ 570.202 Eligible rehabilitation and preservation activities.

(a) *Types of buildings and improvements eligible for rehabilitation assistance.* CDBG funds may be used to finance the rehabilitation of:

(1) Privately owned buildings and improvements for residential purposes;

(2) Low-income public housing and other publicly owned residential buildings and improvements;

(3) Publicly or privately owned commercial or industrial buildings, except that the rehabilitation of such buildings owned by a private for-profit business is limited to improvements to the exterior of the building and the correction of code violations (further improvements to such buildings may be undertaken pursuant to § 570.203(b)); and

(4) Manufactured housing when such housing constitutes part of the community's permanent housing stock.

(b) *Types of assistance.* CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements described in paragraph (a) of this section, except that rehabilitation of commercial or industrial buildings is limited as described in paragraph (a)(3) of this section.

(1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;

(2) Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancement of existing structures, which may be undertaken singly, or in combination;

(3) Loans for refinancing existing indebtedness secured by a property being rehabilitated with CDBG funds if such financing is determined by the recipient to be necessary or appropriate to achieve the locality's community development objectives;

(4) Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, siding, wall and attic insulation, and conversion, modification, or replacement of heating and cooling equipment, including the use of solar energy equipment;

(5) Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and repair of water leaks;

(6) Connection of residential structures to water distribution lines of local sewer collection lines;

(7) For rehabilitation carried out with CDBG funds, costs of:

(i) Initial homeowner warranty premiums;

(ii) Hazard insurance premiums, except where assistance is provided in the form of a grant; and

(iii) Flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973, pursuant to § 570.605.

(iv) Procedures concerning inspection and testing for and abatement of lead-based paint, pursuant to § 570.608.

(8) Costs of acquiring tools to be lent to owners, tenants, and others who will use such tools to carry out rehabilitation;

(9) Rehabilitation services, such as rehabilitation counseling, energy auditing, preparation of work specifications, loan processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities, participating or seeking to participate in rehabilitation activities authorized under this section, under section 312 of the Housing Act of 1964, as amended, under section 610 of the Act, or under section 17 of the United States Housing Act of 1937; and

(10) Assistance for the rehabilitation of housing under section 17 of the United States Housing Act of 1937.

(c) *Code enforcement.* Code enforcement in deteriorating or deteriorated areas where such enforcement together with public improvements, rehabilitation, and services to be provided, may be expected to arrest the decline of the area.

(d) *Historic preservation.* CDBG funds may be used for the rehabilitation, preservation or restoration of historic

properties, whether publicly or privately owned. Historic properties are those sites or structures that are either listed in or eligible to be listed in the National Register of Historic Places, listed in a State of local inventory of historic places, or designated as a State or local landmark or historic district by appropriate law or ordinance. Historic preservation, however, is not authorized for buildings for the general conduct of government.

(e) *Renovation of closed buildings.* CDBG funds may be used to renovate closed buildings, such as closed school buildings, for use as an eligible public facility or to rehabilitate such buildings for housing.

§ 570.203 Special economic development activities.

A recipient may use CDBG funds for special economic development activities in addition to other activities authorized in this subpart which may be carried out as part of an economic development project. Special activities authorized under this section do not include assistance for the construction of new housing. Special economic development activities include:

(a) The acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements, including railroad spurs or similar extensions. Such activities may be carried out by the recipient or public or private nonprofit subrecipients.

(b) The provision of assistance to a private for-profit business, including, but not limited to, grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is necessary or appropriate to carry out an economic development project, excluding those described as ineligible in § 570.207(a). In order to ensure that any such assistance does not unduly enrich the for-profit business, the recipient shall conduct an analysis to determine that the amount of any financial assistance to be provided is not excessive, taking into account the actual needs of the business in making the project financially feasible and the extent of public benefit expected to be derived from the economic development project. The recipient shall document the analysis as well as any factors it considered in making its determination that the assistance is necessary or appropriate to carry out the project. The requirement for making such a determination applies whether the business is to receive assistance from the recipient or through a subrecipient.

§ 570.204 Special activities by certain subrecipients.

(a) *Eligible activities.* The recipient may provide CDBG funds (e.g., grant or loan) to any of the three types of subrecipients specified in paragraph (c) of this section to carry out a neighborhood revitalization, community economic development, or energy conservation project. Such a project may include activities listed as eligible under this subpart, and activities not otherwise listed as eligible under this subpart, except those described as ineligible in § 570.207(a), when the recipient determines that such activities are necessary or appropriate to achieve its community development objectives. Notwithstanding that such recipients may carry out activities as part of such project that are not otherwise eligible under this subpart, this provision does not authorize:

(1) Provision of public services that do not meet the requirements of § 570.201(e) (1) and (2);

(2) Provision of assistance to a for-profit business that does not comply with the requirements of § 570.203(b); or

(3) Carrying out activities that would otherwise be eligible under §§ 570.205 or 570.206 but that would result in the recipient exceeding the limitation in § 570.200(g).

(b) *Recipient responsibilities.* Recipients are responsible for ensuring that CDBG funds are used by the subrecipients in a manner consistent with the requirements of this part and other applicable Federal, State, or local law. Recipients are also responsible for carrying out the environmental review and clearance responsibilities.

(c) *Eligible subrecipients.* The following are subrecipients authorized to receive assistance under this section.

(1) *Neighborhood-based nonprofit organizations.* A neighborhood-based nonprofit organization is an association or corporation, duly organized to promote and undertake community development activities on a not-for-profit basis within a neighborhood. An organization is considered to be neighborhood-based if the majority of either its membership, clientele, or governing body are residents of the neighborhood where activities assisted with CDBG funds are to be carried out. A neighborhood is defined as:

(i) A geographic location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation;

(ii) The entire jurisdiction of a unit of general local government which is under 25,000 population; or

(iii) A neighborhood, village, or similar geographical designation in a New Community as defined in § 570.403(a)(1).

(2) *Section 301(d) Small Business Investment Companies.* A Section 301(d) Small Business Investment Company is an entity organized pursuant to section 301(d) of the Small Business Investment Act of 1958 (15 U.S.C. 681(d)), including those which are profit making.

(3) *Local development corporations.* A local development corporation is:

(i) An entity organized pursuant to Title VII of the Headstart, Economic Opportunity, and Community Partnership Act of 1974 (42 U.S.C. 2981) or the Community Economic Development Act of 1981 (42 U.S.C. 9801 et seq.);

(ii) An entity eligible for assistance under section 502 or 503 of the Small Business Investment Act of 1958 (15 U.S.C. 696);

(iii) Other entities incorporated under State or local law whose membership is representative of the area of operation of the entity (including nonresident owners of businesses in the area) and which are similar in purpose, function, and scope to those specified in paragraph (c)(3) (i) or (ii) of this section; or

(iv) A State development entity eligible for assistance under section 501 of the Small Business Investment Act of 1958 (15 U.S.C. 695).

§ 570.205 Eligible planning, urban environmental design and policy-planning-management-capacity building activities.

(a) Planning activities which consist of all costs of data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans, including, but not limited to:

- (1) Comprehensive plans;
- (2) Community development plans;
- (3) Functional plans, in areas such as:
 - (i) Housing, including the development of a housing assistance plan;
 - (ii) Land use and urban environmental design;
 - (iii) Economic development;
 - (iv) Open space and recreation;
 - (v) Energy use and conservation;
 - (vi) Floodplain and wetlands management in accordance with the requirements of Executive Orders 11988 and 11990;
 - (vii) Transportation;
 - (viii) Utilities; and
 - (ix) Historic preservation.
- (4) Other plans and studies such as:

(i) Small area and neighborhood plans;

(ii) Capital improvements programs;

(iii) Individual project plans (but excluding engineering and design costs related to a specific activity which are eligible as part of the cost of such activity under §§ 570.201–570.204);

(iv) The reasonable costs of general environmental, urban environmental design and historic preservation studies. However, costs necessary to comply with 24 CFR Part 58, including project specific environmental assessments and clearances for activities eligible for assistance under this part, are eligible as part of the cost of such activities under §§ 570.201–570.204. Costs for such specific assessments and clearances may also be incurred under this paragraph but would then be considered planning costs for the purposes of § 570.200(g);

(v) Strategies and action programs to implement plans, including the development of codes, ordinances and regulations;

(vi) Support of clearinghouse functions, such as those specified in Executive Order 12372; and

(vii) Analysis of impediments to fair housing choice.

(8) Policy—planning—management—capacity building activities which will enable the recipient to:

(1) Determine its needs;

(2) Set long-term goals and short-term objectives, including those related to urban environmental design;

(3) Devise programs and activities to meet these goals and objectives;

(4) Evaluate the progress of such programs and activities in accomplishing these goals and objectives; and

(5) Carry out management, coordination and monitoring of activities necessary for effective planning implementation, but excluding the costs necessary to implement such plans.

§ 570.206 Program administration costs.

Payment of reasonable administrative costs and carrying charges related to the planning and execution of community development activities assisted in whole or in part with funds provided under this part and, where applicable, housing activities (described in paragraph (g) of this section) covered in the recipient's housing assistance plan. This does not include staff and overhead costs directly related to carrying out activities eligible under § 570.201 through § 570.204, since those costs are eligible as part of such activities.

(a) *General management, oversight and coordination.* Reasonable costs of

overall program management, coordination, monitoring, and evaluation. Such costs include, but are not necessarily limited to, necessary expenditures for the following:

(1) Salaries, wages, and related costs of the recipient's staff, the staff of local public agencies, or other staff engaged in program administration. In charging costs to this category the recipient may either include the entire salary, wages, and related costs allocable to the program of each person whose *primary* responsibilities with regard to the program involve program administration assignments, or the pro rata share of the salary, wages, and related costs of each person whose job includes *any* program administration assignments. The recipient may use only one of these methods during the program year (or the grant period for grants under Subpart F). Program administration includes the following types of assignments:

(i) Providing local officials and citizens with information about the program;

(ii) Preparing program budgets and schedules, and amendments thereto;

(iii) Developing systems for assuring compliance with program requirements;

(iv) Developing interagency agreements and agreements with subrecipients and contractors to carry out program activities;

(v) Monitoring program activities for progress and compliance with program requirements;

(vi) Preparing reports and other documents related to the program for submission to HUD;

(vii) Coordinating the resolution of audit and monitoring findings;

(viii) Evaluating program results against stated objectives; and

(ix) Managing or supervising persons whose primary responsibilities with regard to the program include such assignments as those described in paragraph (a)(1) (i) through (viii) of this section.

(2) Travel costs incurred for official business in carrying out the program;

(3) Administrative services performed under third party contracts or agreements, including such services as general legal services, accounting, services, and audit services; and

(4) Other costs for goods and services required for administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space.

(b) *Public information.* The provisions of information and other resources to residents and citizen organizations participating in the planning,

implementation, or assessment of activities being assisted with CDBG funds.

(c) *Fair housing activities.* Provision of fair housing services designed to further the fair housing objectives of Title VIII of the Civil Rights Act of 1968 by making persons of all races, colors, religions, sexes, and national origins aware of the range of housing opportunities available to them; other fair housing enforcement, education, and outreach activities; and other activities designed to further the housing objective of avoiding undue concentrations of assisted persons in areas containing a high proportion of lower-income persons.

(d) [Reserved]

(e) *Indirect Costs.* Indirect costs may be charged to the CDBG program under a cost allocation plan prepared in accordance with OMB Circulars A–21, A–87, or A–122 as applicable.

(f) *Submission of applications for Federal programs.* Preparation of documents required for submission to HUD to receive funds under the CDBG and UDAG programs, except as limited under Subpart F at § 570.433(a)(3). In addition, CDBG funds may be used to prepare applications for other Federal programs where the recipient determines that such activities are necessary or appropriate to achieve its community development objectives.

(g) *Administrative expenses to facilitate housing.* CDBG funds may be used for necessary administrative expenses in planning or obtaining financing for housing as follows: for entitlement recipients, assistance authorized by this paragraph is limited to units which are identified in the recipient's HUD approved housing assistance plan; for HUD-administered small cities recipients, assistance authorized by the paragraph is limited to facilitating the purchase or occupancy of existing units which are to be occupied by lower income households, or the construction of rental or owner units where at least 20 percent of the units in each project will be occupied at affordable rents/costs by lower income persons. Examples of eligible actions are as follows:

(1) The cost of conducting preliminary surveys and analysis of market needs;

(2) Site and utility plans, narrative descriptions of the proposed construction, preliminary cost estimates, urban design documentation, and "sketch drawings," but excluding architectural, engineering, and other details ordinarily required for construction purposes, such as

structural, electrical, plumbing, and mechanical details;

(3) Reasonable costs associated with development of applications for mortgage and insured loan commitments, including commitment fees, and of applications and proposals under the Section 8 Housing Assistance Payments program pursuant to 24 CFR Parts 880-883;

(4) Fees associated with processing of applications for mortgage or insured loan commitments under programs including those administered by HUD, Farmers Home Administration (FmHA), Federal National Mortgage Association (FNMA), and the Government National Mortgage Association (GNMA);

(5) The cost of issuance and administration of mortgage revenue bonds used to finance the acquisition, rehabilitation or construction of housing, but excluding costs associated with the payment or guarantee of the principal or interest on such bonds; and

(6) Special outreach activities which result in greater landlord participation in Section 8 Housing Assistance Payments Program-Existing Housing or similar programs for lower income persons.

(h) *Section 17 of the United States Housing Act of 1937.* Reasonable costs equivalent to those described in paragraphs (a), (b), (e) and (f) of this section for overall program management of the Rental Rehabilitation and Housing Development programs authorized under section 17 of the United States Housing Act of 1937, whether or not such activities are otherwise assisted with funds provided under this part.

§ 570.207 Ineligible activities.

The general rule is that any activity that is not authorized under the provisions of §§ 570.201-570.206 is ineligible to be assisted with CDBG funds. This section identifies specific activities that are ineligible and provides guidance in determining the eligibility of other activities frequently associated with housing and community development.

(a) The following activities may not be assisted with CDBG funds:

(1) *Buildings or portions thereof, used for the general conduct of government* as defined at § 570.3(d) cannot be assisted with CDBG funds. This does not include, however, the removal of architectural barriers under § 570.201(k) involving any such building. Also, where acquisition of real property includes an existing improvement which is to be used in the provision of a building for the general conduct of government, the portion of the acquisition cost attributable to the land is eligible.

provided such acquisition meets a national objective described in § 570.208.

(2) *General government expenses.* Except as otherwise specifically authorized in this subpart or under OMB Circular A-87, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this part.

(3) *Political activities.* CDBG funds shall not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and are assessed equal rent or use charges, if any.

(b) The following activities may not be assisted with CDBG funds unless authorized under provisions of § 570.203 or as otherwise specifically noted herein, or when carried out by a subrecipient under the provisions of § 570.204.

(i) *Purchase of equipment.* The purchase of equipment with CDBG funds is generally ineligible.

(i) *Construction equipment.* The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing, depreciation, or use allowances pursuant to OMB Circulars A-21, A-87 or A-122 as applicable for an otherwise eligible activity is an eligible use of CDBG funds. However, the purchase of construction equipment for use as part of a solid waste disposal facility is eligible under § 570.201(c).

(ii) *Fire protection equipment.* Fire protection equipment is considered for this purpose to be an integral part of a public facility and thus, purchase of such equipment would be eligible under § 570.201(c).

(iii) *Furnishings and personal property.* The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible. CDBG funds may be used, however, to purchase or to pay depreciation or use allowances (in accordance with OMB Circulars A-21, A-87 or A-122, as applicable) for such items when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG funds, or when eligible as fire fighting equipment, or when such items constitute all or part

of a public service pursuant to § 570.201(e).

(2) *Operating and maintenance expenses.* The general rule is that any expense associated with repairing, operating or maintaining public facilities, improvements and services is ineligible. Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities, interim assistance, and office space for program staff employed in carrying out the CDBG program. For example, the use of CDBG funds to pay the allocable costs of operating and maintaining a facility used in providing a public service would be eligible under § 570.201(e), even if no other costs of providing such a service are assisted with such funds. Examples of ineligible operating and maintenance expenses are:

(i) Maintenance and repair of streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for the handicapped, parking and similar public facilities. Examples of maintenance and repair activities for which CDBG funds may not be used include the filling of pot holes in streets, repairing of cracks in sidewalks, the mowing of recreational areas, and the replacement of expended street light bulbs; and

(ii) Payment of salaries for staff, utility costs and similar expenses necessary for the operation of public work and facilities.

(3) *New housing construction.* For the purpose of this paragraph, activities in support of the development of low or moderate income housing including clearance, site assemblage, provision of site improvements and provision of public improvements and certain housing pre-construction costs set forth in § 570.206(g), are not considered as activities to subsidize or assist new residential construction. CDBG funds may not be used for the construction of new permanent residential structures or for any program to subsidize or assist such new construction, except:

(i) As provided under the last resort housing provisions set forth in 24 CFR Part 42;

(ii) As authorized under § 570.201(m); or

(iii) When carried out by a subrecipient pursuant to § 570.204(a);

(4) *Income payments.* The general rule is that CDBG funds shall not be used for income payments for housing or any other purpose. Examples of ineligible income payments include: payments for income maintenance, housing allowances, down payments, and mortgage subsidies.

APPENDIX D

MONTANA DEPARTMENT OF COMMERCE STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CERTIFICATIONS FOR APPLICATION

Each applicant must agree to comply with all applicable State and federal laws and regulations in implementing their proposed CDBG project, if it is selected for funding.

Listed in the following Certifications for Application are the most important federal regulations that apply to projects using CDBG funds. They cover a wide range of issues including environmental impacts, labor standards, employment practices, financial procedures, and civil rights, many of which can have an affect on the costs or complexity of project implementation. Each federal law or regulation is annotated to give the applicant a general understanding of the requirements that must be met. Since this is a brief summary and not intended to be a comprehensive description of each law, local officials who have any questions or concerns regarding the applicability of these requirements should contact the Department of Commerce for guidance.

MONTANA DEPARTMENT OF COMMERCE
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CERTIFICATIONS FOR APPLICATION

The Applicant hereby certifies that:

ACCEPTANCE OF CDBG PROGRAM REQUIREMENTS

It will comply with all applicable parts of Title I of the Housing and Community Development Act of 1974, as amended, which have not been cited herein as well as with other applicable federal laws and regulations.

It will comply with all requirements established by the Department of Commerce and applicable State laws, regulations, and administrative procedures.

It accepts the terms, conditions, selection criteria, and procedures established by the Montana Community Development Block Grant (CDBG) Program and expressly waives any statutory or common law right it may have to challenge the legitimacy and propriety of these terms, conditions, criteria, and procedures in the event that it is not selected for an award of CDBG funds.

ACQUISITION, DISPLACEMENT AND RELOCATION

It will minimize displacement as a result of activities assisted with CDBG funds and assist persons actually displaced.

It will comply with:

- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (The Uniform Act) as amended, and implementing regulations 49 CFR part 24 and the requirements of section 570.496a. These laws and accompanying regulations require the grantee to provide relocation payments and offer relocation assistance to all persons displaced as a result of acquisition of real property for an activity assisted under the CDBG program. Such payments and assistance must be provided in a fair and consistent and equitable manner that ensures that the relocation process does not result in a different or separate treatment of such persons on account of race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children). The grantee must assure that, within a reasonable period of time prior to displacement, decent, safe and sanitary replacement dwellings will be available to all displaced families and individuals and that the range of choices available to such persons will not vary on account of their race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children); and

- The grantee must also inform affected persons of their rights and of the acquisition policies and procedures set forth in the regulations of 49 CFR, Part 24, Subpart B.
- The Antidisplacement and Relocation Assistance Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

ASSESSMENTS FOR PUBLIC IMPROVEMENTS

It will not attempt to recover any capital costs of public improvements assisted in whole or part with CDBG funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:

- a. CDBG funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than CDBG funds; or,
- b. for purposes of assessing any amount against properties owned and occupied by persons of low and moderate income who are not persons of very low income, the applicant certifies that it lacks sufficient CDBG funds to comply with the requirements of clause (a), above.

BUILDING STANDARDS

It will require every building or facility (other than a privately owned residential structure) designed, constructed, or altered with funds provided under the Montana CDBG Program to comply with the "American Standard Specifications for Making Buildings and Facilities Accessible to, and Usable by, the Physically Handicapped," Number A-117.1R 1971, subject to the exceptions contained in CFR 101-19.604. It will also comply with the Architectural Barriers Act of 1968 and HUD regulations 24 CFR part 8, "Nondiscrimination Based on Handicap in Federally Assisted Activities of HUD". The applicant will be responsible for conducting inspections to insure compliance with these specifications by the contractor; and will comply with HUD Cost-Effective Energy Standards, 24 CFR Part 39.

CITIZEN PARTICIPATION

It will comply with the detailed Citizen Participation Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

CIVIL RIGHTS, EQUAL OPPORTUNITY, AND FAIR HOUSING REQUIREMENTS

Civil Rights

It will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d

et seq.), and the regulations issued pursuant thereto (24 CFR Part 1), which provides that no person in the United States shall on the grounds of race, color, or national origin, be excluded from participation in, be denied in the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant received Federal financial assistance and will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant, this assurance shall obligate the applicant, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits.

Equal Opportunity

It will comply with:

- Section 109 of the Housing and Community Development Act of 1974 as amended, and the regulations issued pursuant thereto (24 CFR 570.601), which provides that no person in the United States shall, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds provided under the Act;
- the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 et seq.). The act provides that no person shall be excluded from participation, denied program benefits or subjected to discrimination on the basis of age under any program or activity receiving federal funding assistance;
- Section 504 of the Rehabilitation Act of 1973, amended (29 U.S.C. 794). The act provides that no otherwise qualified individual shall, solely, by reason of his or her handicap, be excluded from participation (including employment), denied program benefits or subjected to discrimination under any program or activity receiving federal assistance funds;
- Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C. 170(u)) (24 CFR Part 135). Section 3 of the Housing and Urban Development Act of 1968 requires, in connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment be given to lower-income persons residing within the unit of local government or the non-metropolitan county in which the project is located, and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part, by persons residing in the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3; and

- Executive Order 11246, as amended by Executive Orders 11375 and 12086, and the regulations issued pursuant thereto (24 CFR Part 130 and 41 CFR Chapter 60) prohibit a CDBG recipient and subcontractors, if any, from discriminating against any employee or applicant for employment because of race, color, religion, sex or national origin. The grantee and subcontractors, if any, must take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action must include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship. The grantee and subcontractors must post in conspicuous places, available to employees and applicants for employment, notices to be provided setting for the provisions of this nondiscrimination clause. For contracts over \$10,000 the grantee or subcontractors will send to each applicable labor union a notice of the above requirements, the grantee and subcontractors will comply with relevant rules, regulations and orders of the U.S. Secretary of Labor. The grantee or subcontractors must make their books and records available to State and federal officials for purposes of investigation to ascertain compliance.

Fair Housing

It will affirmatively further fair housing and will comply with:

- Title VIII of the Civil Rights Act of 1968 (AKA The Fair Housing Act) (42 U.S.C. 3601 et seq.), as amended by the Fair Housing Amendments Act of 1988 and the regulations issued pursuant thereto. The law states that it is the policy of the United States prohibiting any person from discriminating in the sale or rental of housing, the financing of housing, or the provision of brokerage services, including in any way making unavailable or denying a dwelling to any person, because of race, color, religion, sex, national origin, handicap, or familial status. CDBG grantees must also administer programs and activities relating to housing and community development in a manner that affirmatively promotes fair housing and furthers the purposes of Title VIII; and
- Executive Order 11063, as amended by Executive Order 12259, requires CDBG recipients to take all actions necessary and appropriate to prevent discrimination because of race, color, religion, creed, sex or national origin; in the sale, leasing, rental and other disposition of residential property and related facilities (including land to be developed for residential use); or in the use or occupancy thereof if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants or contributions from the

federal government.

Prohibition of Discrimination on Basis of Religion

It will comply with section 109(a) of the Housing and Community Development Act which prohibits discrimination on the basis of religion or religious affiliation. No person will be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds on the basis of his or her religion or religious affiliation.

Prohibition Of Excessive Force

It will, if awarded CDBG funds, adopt and enforce a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations in accordance with Section 104(1) of the Housing and Community Development Act, as amended.

CONFLICT OF INTEREST

It will comply with the provisions of 24 CFR 570.611 and with sections 2-2-125, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA, (as applicable) regarding the avoidance of conflict of interest.

ENVIRONMENTAL REQUIREMENTS

Air Quality

It will comply with the Clean Air Act (42 U.S.C. 7401, et seq.) which prohibits engaging in, supporting in any way or providing financial assistance for, licensing or permitting, or approving any activity which does not conform to the State implementation plan for national primary and secondary ambient air quality standards.

Environmental Impact

It will comply with:

- Section 104(f) of the Housing and Community Development Act of 1974, as amended through 1981. This section expresses the intent that "the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act be most effectively implemented in connection with the expenditure of funds under" the Act. Such other provisions of law which further the purpose of the National Environmental Policy Act of 1969 are specified in regulations issued pursuant to Section 104(f) of the Act and contained in 24 CFR Part 58; and

- The National Environmental Policy Act of 1969 (42 U.S.C. Section 4321, et seq. and 24 CFR Part 58). The purpose of this Act is to attain the widest use of the environment without degradation, risk to health or safety or other undesirable and unintended consequences. Environmental review procedures are a necessary part of this process. Pursuant to these provisions, the grantee must also submit environmental certifications to the Department of Commerce when requesting that funds be released for the project. The grantee must certify that the proposed project will not significantly impact the environmental regulations and fulfilled its obligations to give public notice of the funding request, environmental findings and compliance performance.

Its chief executive officer or other office of applicant approved by the State:

1. consents to assume the status of responsible federal official under the National Environmental Policy Act of 1969 (NEPA) and other provisions of federal law, as specified in 24 CFR Part 58, which further the purposes of NEPA, insofar as the provisions of such federal law apply to the Montana Community Development Block Grant Program; and
2. is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

EPA List of Violating Facilities

It will ensure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the program are not listed on the U.S. Environmental Protection Agency's (EPA) List of Violating Facilities and that it will notify the Department of Commerce of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by EPA.

Farmlands Protection

It will comply with the Farmlands Protection Policy Act of 1981 (7 U.S.C. 4202, et seq.) and any applicable regulations (7 CFR Part 658) which established compliance procedures for any federally assisted project which will convert farmlands designated as prime, unique or statewide or locally important, to non-agricultural uses.

Floodplain Management and Wetlands Protection

It will comply with:

- the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1973. Section 102(a) required,

on and after March 2, 1974, the purchase of flood insurance in communities where such insurance is available as a condition for the receipt of any federal financial assistance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, guaranty, insurance payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance;

- Executive Order 11988, May 24, 1978: Floodplain Management (42 F.R. 26951, et seq.). The intent of this Executive Order is to (1) avoid, to the extent possible, adverse impacts associated with the occupancy and modification of floodplains and (2) avoid direct or indirect support of floodplain development wherever there is a practical alternative. If a grantee proposes to conduct, support or allow an action to be located in the floodplain, the grantee must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If siting in a floodplain is the only practical alternative, the grantee must, prior to taking any action: (1) design or modify its actions in order to minimize a potential harm to the floodplain; and (2) prepare and circulate a notice containing an explanation of why the action is proposed to be located in a floodplain; and
- Executive Order 11990, May 24, 1977: Protection of Wetlands (42 F.R. 26961, et seq.). The intent of this Executive Order is to avoid adverse impacts associated with the destruction or modification of wetlands and direct or indirect support of new construction in wetlands, wherever there is a practical alternative. The grantee must avoid undertaking or providing assistance for new construction located in wetlands unless there is no practical alternative to such construction and the proposed action includes all practical measures to minimize harm to wetlands which may result from such use.

Historic Preservation

It will comply with:

- Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 470, as amended) through completion of the procedures outlined in 36 CFR 800 and 36 CFR 63. Compliance with these procedures should include:
 1. consulting with the State Historic Preservation Office (SHPO) to identify properties listed in or eligible for inclusion in the National Register of Historic Places that exist with a proposed CDBG project's area of potential environmental impact, and/or to determine the need for

professional archaeological, historical, or architectural inventory of potentially affected properties to determine whether they would qualify for register listing; and

2. consulting, as needed with the SHPO, Keeper of the National Register of Historic Places, and the Advisory council on Historic Preservation to evaluate the significance of historic or prehistoric properties which could be affected by CDBG work and to determine how to avoid or mitigate adverse effects to significant properties from project work.

Lead-Based Paint

It will comply with Title IV of the Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4831), which prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance of any kind.

Noise, Facility Siting

It will comply with HUD Environmental Standards (24 CFR, Part 51, Environmental Criteria and Standards and 44 F.R. 40860-40866, July 12, 1979) which prohibit HUD support for most new construction of noise-sensitive uses is prohibited in general for projects with unacceptable noise exposures is discouraged for projects with normally unacceptable noise exposure. Additionally projects may not be located near facilities handling materials of an explosive or hazardous nature, or in airport clear zones.

Solid Waste

It will comply with the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.). The purpose of this Act is to promote the protection of health and the environment and to conserve valuable material and energy resources.

Water Quality

It will comply with:

- the Safe Drinking Water Act of 1974 (42 U.S.C. Section 201, 300(f) et seq. and U.S.C. Section 349), as amended, particularly Section 1424(e) (42 U.S.C. Section 300H-303(e)) which is intended to protect underground sources of water. No commitment for federal financial assistance can be entered into for any project which the U.S. Environmental Protection Agency determines may contaminate an aquifer which is the sole or principal drinking water source for an area; and
- the Federal Water Pollution Control Act of 1972, as amended, including the Clear Water Act of 1977, Public Law 92-212 (33 U.S.C. Section 1251, et seq.) which provides for the restoration and maintenance of the chemical, physical and biological integrity

of the nation's water.

Wildlife

It will comply with:

- the Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.). The intent of this Act is to ensure that all federally assisted projects seek to preserve endangered or threatened species. Federally authorized and funded projects must not jeopardize the continued existence of endangered and threatened species or result in the destruction or modification of habitat of such species which is determined by the U.S. Department of the Interior, after consultation with the state, to be critical; and
- the Fish and Wildlife Coordination Act of 1958, as amended, (U.S.C. 661 et seq.) which requires that wildlife conservation receives equal consideration and is coordinated with other features of water resource development programs.

Wild and Scenic Rivers

It will comply with the Wild and Scenic Rivers Act of 1968, as amended (16 U.S.C. 1271, et seq.). The purpose of this Act is to preserve selected rivers or sections of rivers in their free-flowing condition, to protect the water quality of such rivers and to fulfill other vital national conservation goals. Federal assistance by loan, grant, license or other mechanism can not be provided to water resources construction projects that would have a direct and adverse effect on any river included or designated for study or inclusion in the National Wild and Scenic River System.

FINANCIAL MANAGEMENT

It will comply with the applicable requirements of:

- OMB Circular A-87, "Cost Principles for State and Local Governments," as specified by the Department of Commerce;
- HUD "Administrative requirements for Grant and Cooperative Agreements to State, Local, and Federally-Recognized Indian Tribal Governments, (24 CFR, Part 85), or any equivalent procedures and requirements that the Montana Department of commerce may prescribe. The HUD Administrative Requirements are the basis for a number of specific requirements on the financial management and record keeping of CDBG funds. The requirements apply to cash depositories, bonding and insurance, record keeping, program income, property management, procurement, closeout, audit, and other requirements; and
- The Single Audit Act of 1984 which establishes criteria for determining the scope and content of audits and with OMB Circular

A-128, "Audits of State and Local Governments," issued pursuant to the Act.

It will promptly refund to the Montana Department of Commerce any CDBG funds determined by an audit to have been spent in an unauthorized or improper manner or for ineligible activities.

It will give the Montana Department of Commerce, HUD, the Comptroller General, and the Montana Legislative Auditor, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.

LABOR STANDARDS

It will comply with:

- Section 110 of the Housing and Community Development Act of 1975, as amended, 24 CFR 570.605, and State regulations regarding the administration and enforcement of labor standards. Section 110 requires that all laborers and mechanics employed by contractors or subcontractors on construction work assisted under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276-1- 276a-5). By reason of the foregoing requirement the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) also applies. However, these requirements apply to rehabilitation of residential property only if such property is designed for residential use for eight or more families;
- Davis-Bacon Act, as amended (40 U.S.C. et seq.), Section 2; June 13, 1934, as amended (48 Stat. 948.40 U.S.C. 276(c)), popularly known as The Copeland Anti-Kickback Act. The Act mandates that all laborers and mechanics be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account except "permissible" salary deductions, the full amounts due at the time of payments, computed at wage rates not less than those contained in the wage determination issued by the U.S. Department of Labor. Weekly compliance statements and payrolls are required to be submitted to the federally-funded recipient by the contractor;
- Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.). According to the Act, no contract work may involve or require laborers or mechanics to work in excess of eight hours in a calendar day, or in excess of 40 hours in a work week, unless compensation of not less than one and one-half times the basic rate is paid for the overtime hours. If this Act is violated, the contractor or subcontractor is liable to any affected employee for unpaid damages as well as to the United States for liquidated

damages; and

- Federal Fair Labor Standards Act, (29 U.S.C.S. 201 et seq.). The act requires that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed workweek.

LEGAL AUTHORITY

It possesses legal authority to apply for the grant and to execute the proposed project under Montana law and, if selected to receive a Community Development Block Grant, will make all efforts necessary to assure timely and effective implementation of the project activities described in the attached application.

LOBBYING

It certifies that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

POLITICAL ACTIVITY

It will comply with the Hatch Act (5 U.S.C. 1501, et seq.; 5 CFR Part 151) which restricts the political activity of individuals principally employed by a state or local agency in connection with a program financed in whole or in part by federal loans or grants. An affected employee may not be a candidate for public office in a partisan election.

AUTHORIZATION TO SUBMIT APPLICATION

Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the submission of the application, including all understandings and assurances contained herein, and directing and authorizing the signatory to act in connection with the application and to provide such additional information as may be required.

Signature, Chief Elected Official
(or Executive Officer)

Name (typed or printed)

Title

Date

APPENDIX E

ANTIDISPLACEMENT AND RELOCATION ASSISTANCE PLAN

1. The Montana Department of Commerce (DOC) encourages applicants to design their project so as to displace as few persons as necessary to meet the goals and objectives of the State CDBG program and critical local community development needs.
2. DOC will carefully consider any proposed displacement activities during application ranking.
3. When a proposed CDBG project could result in direct or indirect displacement of community residents (including businesses), the applicant must prepare a more detailed plan which describes the actions to be taken to assist such persons to remain in their neighborhoods, when they prefer, and to provide equitable and reasonable benefits to those persons who will be involuntarily and permanently displaced. The adequacy of any displacement mitigation plan will be assessed by the Department of Commerce on the basis of:
 - its responsiveness to displaced persons;
 - the timeliness of the remedy; and
 - the reasonableness of projected costs, including safeguards that will be established to assure prudent use of scarce public resources.
4. DOC will require all CDBG recipients to certify that they are following this residential antidisplacement and relocation assistance plan.
5. Grant recipients must replace on a one-for-one basis all occupied and vacant habitable low/moderate income dwelling units demolished or converted to a use other than as low/moderate income housing. The one-for-one replacement requirement will not apply if the U.S. Department of Housing and Urban Development (HUD) finds there is an adequate supply of available, vacant low/moderate income dwelling units in standard condition in the area.
6. DOC will require CDBG recipients to provide benefits to any person involuntarily and permanently displaced as a result of CDBG funded activities in accordance with Title V of the federal Housing and Community Development Act.

APPENDIX F

MEDIAN FAMILY INCOME TABLES FOR CITIES, TOWNS, COUNTIES AND COUNTY CENSUS DIVISIONS

The following table presents population and median family income information for Montana counties, county census divisions, and incorporated cities and towns, according to the the current census. CDBG applicants should use this income information in conjunction with the "Need for Financial Assistance" ranking criterion (Number 6) for public facility projects.

The table is divided into two parts: Part A and Part B. Part A presents information for counties and county census divisions. CDBG applications submitted by counties, including county applications submitted on behalf of unincorporated communities (water and sewer districts) should use the information presented in Part A.

For information regarding which county census division an unincorporated community lies within, please contact the Census and Economic Information Center, Department of Commerce, 1424 9th Avenue, Capitol Station, Helena, Montana - Tel. No. 444-2896.

CDBG applications submitted by incorporated cities and towns should use the information presented in Part B.

Part A - For Use By Counties

STATE COUNTY MCD/CCO PLACE NONMETROPOLITAN	POPULA- TION	MEDIAN FAMILY INCOME	STATE COUNTY MCD/CCO PLACE NONMETROPOLITAN	POPULA- TION	MEDIAN FAMILY INCOME
MONTANA	786690	18413	SHIRLEY-ISHAY DIVISION	398	10000
BEAVERHEAD COUNTY	8186	16122	DANIELS COUNTY	2815	16106
BIG HOLE BASIN DIVISION	701	11055	DANIELS NORTH DIVISION	2717	15765
CLARK CANYON-HORSE PRAIRIE DIVISIO	414	11429	FORT PECK RESERVATION DIVISION	118	21563
OTTLICH DIVISION	6586	17238	DANSON COUNTY	11805	19621
LINA-CENTURNIAL VALLEY DIVISION	485	15078	DANSON NORTH DIVISION	1584	14750
BIG HORN COUNTY	11098	15729	GLENDALE DIVISION	10221	20497
CPON RESERVATION DIVISION	5631	15349	DEER LODGE COUNTY	12518	18957
HARPOIN DIVISION	4351	16721	ANACONDA DIVISION	10127	18639
NORTHERN CHEYENNE DIVISION	900	12868	DEER LODGE VALLEY DIVISION	2191	20913
TONGUE RIVER DIVISION	214	21654	FALLON COUNTY	3763	18329
BLAINE COUNTY	6999	14832	BAKER DIVISION	3229	19389
CHINOOK DIVISION	3172	15378	PLEVNA DIVISION	534	8500
FORT BELKNAP DIVISION	1825	8068	DENTON DIVISION	13076	15297
HARLEN DIVISION	2002	17013	FERGUS COUNTY	817	11757
BROADWATER COUNTY	3267	15000	GRASS RANGE DIVISION	617	14183
TOHUSEND EAST DIVISION	2517	14942	HANOVER DIVISION	760	10750
TOHUSEND WEST DIVISION	750	15179	LEWISTON DIVISION	10033	16176
CARBON COUNTY	8099	15517	ROY DIVISION	416	17250
CARBON EAST DIVISION	628	22537	WINIFRED DIVISION	433	7150
FROMBERG-BRIDGER DIVISION	1752	15136	FLATHEAD COUNTY	51966	18587
JOLIET DIVISION	1841	17470	BAD ROCK-COLUMBIA HEIGHTS DIVISION	2821	18730
RED LODGE DIVISION	3050	14638	COLUMBIA FALLS DIVISION	6556	20118
ROBERTS DIVISION	828	12315	CRESTON-BIGFORK DIVISION	4170	16115
CARTER COUNTY	1799	12821	GLACIER NATIONAL PARK DIVISION	106	22083
EXALAKA DIVISION	1091	13300	KALISPELL DIVISION	22814	18676
LITTLE MISSOURI DIVISION	708	12125	KALISPELL NORTHWEST DIVISION	1954	18320
CASCADE COUNTY	90696	18963	KALISPELL SOUTHWEST DIVISION	2636	18324
DELT DIVISION	1652	17069	LOWER VALLEY-SOMERS DIVISION	1202	18287
CASCADE DIVISION	1529	15799	SOUTH FORK DIVISION	1999	17267
EDEN-STOCKETT DIVISION	834	14276	WHITEFISH DIVISION	7708	18286
GREAT FALLS DIVISION	70526	19255	GALLATIN COUNTY	42865	19078
GREAT FALLS NORTH DIVISION	2530	19750	BELGRADE DIVISION	5851	18666
MONARCH-METHEART DIVISION	309	12125	BOZEMAN DIVISION	28837	19724
SUN RIVER VALLEY DIVISION	3316	16598	GALLATIN GATEWAY DIVISION	1904	18125
CHOUTEAU COUNTY	6092	17139	NANHAITAN DIVISION	3061	17271
BIG SANDY DIVISION	2019	17500	THREE FORKS DIVISION	1985	14975
FORT BENTON DIVISION	2860	17850	WEST YELLOWSTONE DIVISION	1427	19468
GERALDINE DIVISION	1213	15536	GARFIELD COUNTY	1656	13480
CUSTER COUNTY	13109	18445	NORTH GARFIELD DIVISION	1213	12599
MILES CITY DIVISION	11839	18944	SOUTH GARFIELD DIVISION	443	16719
MIZZPAH-PUMPKIN DIVISION	506	16985	GLACIER COUNTY	10628	15691
NORTH CUSTER DIVISION	366	9375	BLACKFEET DIVISION	6004	12231

MONTANA

STATE COUNTY MCD/CCO PLACE NONMETROPOLITAN	POPULA- TION	MEDIAN FAMILY INCOME
CUT BAIK DIVISION	4579	19858
GLACIER NATIONAL PARK DIVISION	45	21250
GOLDEN VALLEY COUNTY	1026	12898
LAVINA DIVISION	420	12083
RYEGATE DIVISION	606	14306
GRANITE COUNTY	2700	15760
DRUMMOND DIVISION	1092	17281
PHILIPSBURG DIVISION	1608	13750
HILL COUNTY	17985	19977
GILDFORD DIVISION	933	16786
HAYRE DIVISION	13789	21119
ROCKY BOY DIVISION	1613	14234
RUOYARO DIVISION	1005	16290
WILD HORSE LAKE DIVISION	645	13558
JEFFERSON COUNTY	7029	19082
BOULDER DIVISION	4463	19658
WHITEHALL DIVISION	2566	17930
JUUTH BASIN COUNTY	2646	14717
GEYSER DIVISION	547	16875
HOBSON DIVISION	936	14115
STANFORD DIVISION	1163	14574
LAKE COUNTY	19056	14386
BIG FORK-SWAN RIVER DIVISION	1981	18311
CHARLO DIVISION	1223	13600
POLSON DIVISION	7365	14462
RONAN DIVISION	4961	13371
ST. IGNATIUS DIVISION	3526	13563
LEWIS AND CLARK COUNTY	43039	20715
AUGUSTA DIVISION	821	16667
HELENA DIVISION	38780	21207
LINCOLN DIVISION	2324	16544
WOLF CREEK DIVISION	1114	19297
LIBERTY COUNTY	2329	17377
CHESTER DIVISION	1814	16932
JOPLIN DIVISION	515	20139
LINCOLN COUNTY	17752	17480
EUREKA DIVISION	3824	14432
LIBBY DIVISION	10739	19144
TROY DIVISION	2989	15599
MCCONE COUNTY	2702	14295
CIRCLE DIVISION	1782	16114
NORTH MCCOIE DIVISION	920	10873
MADISON COUNTY	5448	15329

MONTANA

STATE COUNTY MCD/CCO PLACE NONMETROPOLITAN	POPULA- TION	MEDIAN FAMILY INCOME
HARRISON DIVISION	697	17328
MADISON VALLEY DIVISION	1477	16014
SHERIDAN DIVISION	1525	15647
THIN BRIDGES DIVISION	1412	13550
VIRGINIA CITY DIVISION	337	14327
MEAGHER COUNTY	2154	15636
MARTINDALE-RINGLING DIVISION	379	12788
WHITE SULPHUR SPRINGS DIVISION	1775	16250
MITHRAL COUNTY	3675	17258
ALBERTON DIVISION	606	16736
SUPERIOR DIVISION	2106	17755
WEST END DIVISION	963	16860
MISSOULA COUNTY	76016	19903
FRENCHTOWN-EVARO DIVISION	3653	20231
LOLO DIVISION	4858	20766
MISSOULA DIVISION	65470	19950
SEELEY LAKE-BLACKFOOT VALLEY DIVIS	2035	16827
MUSSELSHELL COUNTY	4628	14094
KLEIN DIVISION	974	13611
MELSTONE DIVISION	666	13250
ROUNDUP DIVISION	2788	14636
PARK COUNTY	12660	18042
GARINER-COOKE DIVISION	917	19375
SHIELDS VALLEY DIVISION	1454	13398
UPPER YELLOWSTONE VALLEY DIVISION	10289	18897
PETROLEUM COUNTY	655	12277
WINNETT NORTH DIVISION	176	13403
WINNETT SOUTH DIVISION	479	11600
PHILLIPS COUNTY	5367	13724
BELKNAP DIVISION	120	15972
MALTA DIVISION	4267	14480
PHILLIPS SOUTH DIVISION	439	10900
WHITEWATER DIVISION	541	9712
POHODA COUNTY	6731	19486
BLACKFEET EAST DIVISION	158	12188
BLACKFEET WEST DIVISION	502	17974
CONRAD DIVISION	4511	20847
VALIER-DUPUYER DIVISION	1560	14325
POWDER RIVER COUNTY	2520	17665
BROADUS DIVISION	1351	16205
EAST POWDER RIVER DIVISION	702	20703
OTTER DIVISION	467	16042
POWELL COUNTY	6958	17239

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STATE COUNTY MCD/CCD PLACE	POPULA- TION	MEDIAN FAMILY INCOME	STATE COUNTY MCD/CCD PLACE	POPULA- TION	MEDIAN FAMILY INCOME
NONMETROPOLITAN					
AVONH-ELLISTON DIVISION	978	13710	SHEET GRASS COUNTY	3216	13986
DEER LODGE DIVISION	5530	18222	NORTH OF THE YELLOWSTONE DIVISION	642	11597
HELMVILLE DIVISION	450	16297	SOUTH OF THE YELLOWSTONE DIVISION	2574	14604
PRAIRIE COUNTY	1836	10724	TETON COUNTY	6491	16207
TERRY NORTH DIVISION	294	7500	CHOTEAU DIVISION	3413	16480
TERRY SOUTH DIVISION	1542	11103	OUTTON-POWER DIVISION	1203	16394
RAVALLI COUNTY	22493	15541	FAIRFIELD DIVISION	1875	15559
DARBY DIVISION	1731	16823	TOOLE COUNTY	5559	17335
HAMILTON DIVISION	11409	14504	SOUTH TOOLE DIVISION	3969	17223
STEVENSVILLE DIVISION	6628	17784	SUNBURST DIVISION	1590	17670
SULA-EDWARDS DIVISION	914	17974	TREASURE COUNTY	981	14107
VICTOR DIVISION	1811	13315	NORTH TREASURE DIVISION	295	9375
RICHLAND COUNTY	12243	19865	SOUTH TREASURE DIVISION	686	15429
FAIRVIEW DIVISION	2310	17636	VALLEY COUNTY	10250	17270
LAMBERT DIVISION	760	19836	FORT PECK RESERVATION DIVISION	1339	13142
SAVAGE-CRAHE DIVISION	1329	16094	GLASGOW DIVISION	6587	18743
STONEY DIVISION	7844	21221	HINSDALE DIVISION	758	11458
ROOSEVELT COUNTY	10467	16622	OPHEI DIVISION	673	13810
EAST ROOSEVELT DIVISION	2259	17969	SOUTH VALLEY DIVISION	893	22674
FORT PECK RESERVATION DIVISION	8208	16217	WHEATLAND COUNTY	2359	15035
ROSEBUD COUNTY	9899	19792	HARLOWTON DIVISION	1784	15638
ASHLAND DIVISION	565	16705	JUDITH GAP-SHAMUT DIVISION	575	12454
FORSYTH DIVISION	3444	19435	WIBAUX COUNTY	1476	13784
NORTHERN CHEYENNE DIVISION	2712	10022	PINE HILLS-ST. PHILLIPS DIVISION	348	11875
ROSEBUD DIVISION	3178	26359	WIBAUX DIVISION	1128	14234
SANDIPS COUNTY	6675	14549	YELLOWSTONE COUNTY	108035	20744
FLATHEAD DIVISION	1834	12750	BILLINGS DIVISION	86512	21121
PLAINS DIVISION	2576	15039	BUFFALO CREEK DIVISION	186	11250
THOMPSON FALLS-WEST END DIVISION	4265	15152	HUNTLEY PROJECT DIVISION	2904	16167
SHERIDAN COUNTY	5414	17270	LAUREL DIVISION	10055	20087
FORT PECK RESERVATION DIVISION	174	15694	NORTHWEST YELLOWSTONE DIVISION	1681	18750
MCICITNE LAKE DIVISION	1030	16893	SHEPHERD DIVISION	2556	21841
PLENTHOOD DIVISION	3555	17516	SOUTH YELLOWSTONE DIVISION	4141	19504
HESTBY DIVISION	655	17569	YELLOWSTONE NATIONAL PARK	275	16518
SILVER BOW COUNTY	38092	19572	YELLOWSTONE NATIONAL PARK DIVISION	275	16538
EUTIE DIVISION	36824	19430			
SILVER BOW NORTHWEST DIVISION	489	20625			
SILVER BOW SOUTH DIVISION	779	22434			
STILLWATER COUNTY	5598	15363			
ADS/POKEE DIVISION	1405	11866			
COLUMBUS DIVISION	2379	15636			
PAPK CITY DIVISION	1214	20036			
STILLWATER NORTH DIVISION	600	10625			

MONTANA

Part B - For Use By Cities and Towns

ALBERTON TOWN	384	16964
ANACONDA-DEER LODGE COUNTY	12518	18957
BAINVILLE TOWN	247	21053
BAKER CITY	2310	20200
BEARCREEK TOWN	62	13438
BELGRADE TOWN	2336	17351
BELT CITY	837	16818
BIGFORK (CDP)	1072	13448

STATE COUNTY MCD/CCD PLACE	POPULA- TION	MEDIAN FAMILY INCOME	STATE COUNTY MCD/CCD PLACE	POPULA- TION	MEDIAN FAMILY INCOME
NONMETROPOLITAN			NONMETROPOLITAN		
BIG SANDY TOWN	841	13365	FROID TOWN	314	16250
BIG TIMBER CITY	1890	14070	FROMBERG TOWN	458	13250
BILLINGS CITY	66798	20989	GERALDINE TOWN	299	14632
BILLINGS HEIGHTS (CDP)	8480	21365	GLASGOW CITY	4455	19041
BOMMER-WEST RIVERSIDE (CDP)	1749	18644	GLENDIVE CITY	5949	20334
BOULDER TOWN	1441	14281	GRASS RANGE TOWN	151	12917
BOZEMAN CITY	21645	18476	GREAT FALLS CITY	56725	20027
BRIDGER TOWN	715	15221	HAMILTON CITY	2596	14055
BROADUS TOWN	720	17443	HARDIN CITY	3324	16639
BROADVIEW TOWN	123	12917	HARLEM CITY	1023	17344
BROCKTON TOWN	412	15655	HARLOWTON CITY	1162	15357
BROOKING TOWN	1276	11979	HAVRE CITY	10891	21076
BUTTE-SILVER BOW	37207	19699	HAVRE NORTH (CDP)	1263	20370
CASCADE TOWN	754	15588	HELENA CITY	23938	21588
CHESTER TOWN	963	18421	HINGHAM TOWN	193	13438
CHINOOK CITY	1660	15676	HOBSON TOWN	269	14375
CHOTEAU CITY	1798	16335	HOT SPRINGS TOWN	564	7794
CIRCLE TOWN	931	19113	HYSHAM TOWN	441	16125
CLYDE PARK TOWN	292	15521	ISHAY TOWN	36	4167
COLSTRIP (CDP)	1503	28152	JOLIET TOWN	599	14653
COLUMBIA FALLS CITY	3120	21000	JORDAN TOWN	493	14074
COLQUHUIS TOWN	1439	16875	JUDITH GAP CITY	233	12125
CONRAD CITY	3074	20731	KALISPELL CITY	10648	19104
CULBERTSON TOWN	976	17442	KEVIN TOWN	199	14643
CUT BANK CITY	3688	20605	LAUREL CITY	5481	18784
DARBY TOWN	605	14013	LAVIHA TOWN	181	13750
DEER LODGE CITY	4016	18818	LEWISTOWN CITY	7104	16548
DENTON TOWN	376	13977	LIBBY CITY	2629	20513
DILLON CITY	3976	18444	LIMA TOWN	303	16719
DODSON TOWN	155	28333	LIVINGSTON CITY	6994	18852
DRUMMOND TOWN	408	18000	LODGE GRASS TOWN	747	7465
DUTTON TOWN	372	15179	LOLO (CDP)	2399	20536
EAST HELENA TOWN	1676	21534	MALHASTON AFB (CDP)	6675	12633
EAST MISSOULA (CDP)	1816	15054	MALTA CITY	2485	14868
EKALAKA TOWN	625	14286	MAINATTAN TOWN	969	17230
ENHIS TOWN	710	17446	MEDICINE LAKE TOWN	411	17019
EUREKA TOWN	1219	16031	MELSTONE TOWN	238	16964
EVERGREEN (CDP)	3746	16023	MILES CITY CITY	9602	19179
FAIRFIELD TOWN	641	15781	MISSOULA CITY	33387	19124
FAIRVIEW CITY	1366	17386	MISSOULA SOUTH (CDP)	5557	24298
FLAXVILLE TOWN	149	14688	MOORE TOWN	221	13312
FORSYTH CITY	2826	20161	MASHUA TOWN	486	17604
FORT BENTON CITY	1693	18701	MEINART TOWN	98	21000

MONTANA

STATE COUNTY MCO/CCO PLACE NONMETROPOLITAN	STATE COUNTY MCO/CCO PLACE NONMETROPOLITAN	POPULA- TION	MEDIAN FAMILY INCOME	POPULA- TION	MEDIAN FAMILY INCOME
OPHEII TOWN	WINNETT TOWN	219	18750	212	12257
ORCHARD HOMES (CDP)	WOLF POINT CITY	10837	19321	2985	19082
OUTCOK TOWN	NONMETROPOLITAN	120	14643	597959	17902
PHILIPSBURG TOWN		1138	11742		
PLAINS TOWN		1116	15227		
PLENTYWOOD CITY		2476	17996		
PLEVIA TOWN		190	15208		
POLSON CITY		2681	13191		
POPULAR CITY		949	15313		
RATTLESNAKE (CDP)		3475	26935		
RED LODGE CITY		1896	15192		
REXFORD TOWN		149	15357		
RICHIEY TOWN		446	15132		
ROMAH CITY		1530	12739		
ROUNDUP CITY		2119	15682		
RYEGATE TOWN		291	14167		
SACO TOWN		226	16500		
ST. IGNATIUS TOWN		877	12461		
SCODEY CITY		1382	17019		
SHELBY CITY		3142	17887		
SHERIDAN TOWN		643	16979		
SIDNEY CITY		5729	21979		
STANFORD TOWN		587	15313		
STEVENSVILLE TOWN		1248	15164		
SUNBURST TOWN		518	20729		
SUPERIOR TOWN		1038	18512		
TEPPY CITY		935	13060		
THOMPSON FALLS TOWN		1515	15842		
THREE FORKS TOWN		1247	15993		
TORRISSEND CITY		1587	15066		
TROY TOWN		1088	13798		
TWIN BRIDGES TOWN		450	13077		
VALIER TOWN		655	15804		
VAUGHN (CDP)		2359	18887		
VIRGINIA CITY TOWN		182	14135		
WALKERVILLE CITY		885	14083		
WESTBY TOWN		309	13750		
WEST YELLOWSTONE TOWN		754	16500		
WHITEFISH CITY		3703	17025		
WHITEHALL TOWN		1030	15179		
WHITE SULPHUR SPRINGS CITY		1311	16760		
WIBAUD TOWN		787	16042		
WINIFRED TOWN		154	9444		

MONTANA

APPENDIX G

GRANT AWARDS FOR THE FALL, 1991

COMMUNITY DEVELOPMENT BLOCK GRANT COMPETITION

HOUSING PROJECTS

NAME OF APPLICANT: Butte-Silver Bow (for former City of Butte jurisdiction)

CDBG REQUEST: \$375,000

OTHER FUNDS: \$ 33,000 CDBG Program Income
\$ 87,054 Butte-Silver Bow Funds
\$ 27,000 HUD Rental Rehabilitation Funds
\$ 15,000 Resource Indemnity Trust Fund
\$100,000 Montana Power Company
\$ 62,500 Human Resources Development Council
\$200,000 Norwest Bank
\$ 50,000 First Bank Butte

TOTAL PROJECT: \$949,554

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%

PROJECT DESCRIPTION: The proposed housing and neighborhood revitalization project would rehabilitate 46 housing units and demolish some dilapidated structures within an area of the former City of Butte jurisdiction referred to as the Hebgen Park Neighborhood. In addition, Butte-Silver Bow would provide for sidewalk reconstruction, weed control and clean-up, alley and street paving, Hebgen Park maintenance, and Head Start School improvements. A Resource Indemnity Trust Fund grant through DNRC would fund reclamation activities at Hebgen Park.

NAME OF APPLICANT: Town of Fromberg

CDBG REQUEST: \$375,000

OTHER FUNDS: \$ 90,000 FmHA, Housing Preservation Grant
\$ 35,000 FmHA, Section 504 Loans
\$ 4,080 Human Resource Development Council
\$150,000 Bank of Bridger
\$257,000 HDA Management

TOTAL PROJECT: \$911,080

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%

PROJECT DESCRIPTION: The proposed housing and neighborhood revitalization project would rehabilitate 37 substandard housing units, including 31 owner-occupied and 6 rental units, and demolish 7 severely dilapidated structures in the designated project area. A six unit apartment complex for lower income elderly families would be constructed, and blight removal and community beautification efforts would be implemented through the Summer

Youth Employment Program.

NAME OF APPLICANT: City of Miles City

CDBG REQUEST: \$375,000

OTHER FUNDS: \$ 49,500 City of Miles City
\$ 2,500 Human Resource Development Council
\$100,000 First Bank
\$100,000 First Security Bank & Trust
\$100,000 First Interstate Bank

TOTAL PROJECT: \$727,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%

PROJECT DESCRIPTION: The proposed project would rehabilitate 45 owner-occupied and rental housing units in a 22 block area in the north central area of the City. The project would also demolish 6 vacant and unsafe structures owned by low and moderate income households. The City would complete resurfacing of all streets and install two blocks of water main in the project area.

NAME OF APPLICANT: Town of Nashua

CDBG REQUEST: \$375,000

OTHER FUNDS: \$100,000 U.S. Farmers Home Administration (FmHA)
Housing Preservation Grant Funds
\$ 30,000 HUD HOME Funds
\$ 15,000 Human Resource Development Council
\$150,000 Bank of Montana (Glasgow)

TOTAL PROJECT: \$670,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 100%

PROJECT DESCRIPTION: The proposed project would rehabilitate 22 owner-occupied units and 10 rental units. In addition, ten units would be rehabilitated through self-help projects. The Town will also demolish 12 dilapidated structures owned by low and moderate income families. The Town will also apply for \$100,000 of FmHA Housing Preservation Grant funds and HUD HOME funds.

PUBLIC FACILITY PROJECTS

NAME OF APPLICANT: City of Chinook

CDBG REQUEST: \$305,750

OTHER FUNDS: \$ 97,250 Montana Department of Natural Resources
and Conservation (DNRC) Loan (City of
Chinook)
\$403,000 U.S. Economic Development Administration
Grant

TOTAL PROJECT: \$806,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 51%

PROJECT DESCRIPTION: The proposed project would construct a new low crest dam (weir) to draw municipal water from the Milk River. The existing facility washed out in May, 1990. The reconstructed

weir would be designed to withstand high peak flows and ensure adequate water quality to the City.

NAME OF APPLICANT: Town of Eureka

CDBG REQUEST: \$ 375,000

OTHER FUNDS: \$ 100,000 Lincoln County

\$ 120,000 Town of Eureka

\$3,736,000 Montana Department of Transportation

TOTAL PROJECT: \$4,331,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 61%

PROJECT DESCRIPTION: The proposed project would enable the reconstruction of Highway 93 through Eureka to proceed in 1992. CDBG funds would be used to construct storm drainage facilities to handle surface run-off within Eureka and a developed residential area adjacent to town.

NAME OF APPLICANT: Flathead County for Somers

CDBG REQUEST: \$ 375,000

OTHER FUNDS: \$ 940,125 Environmental Protection Agency (EPA)

\$ 680,400 U.S. Farmers Home Administration
(FmHA) Grant

\$ 237,598 FmHA Loan (Somers Water & Sewer
District)

TOTAL PROJECT: \$2,233,123

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 66%

PROJECT DESCRIPTION: The proposed project would construct a sewer collection system for the unincorporated community of Somers, expand the existing Lakeside sewer treatment plant (located one mile north of Somers) to accommodate the increased flows, and connect the plant to the Somers system. Somers currently has no community sewage collection and treatment system. The inadequate treatment of human waste threatens public health and water quality in Flathead Lake.

NAME OF APPLICANT: Garfield County

CDBG REQUEST: \$ 375,000

OTHER FUNDS: \$ 511,500 U.S. Farmers Home Administration
(FmHA) Loan

TOTAL PROJECT: \$ 886,500

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 83%

PROJECT DESCRIPTION: The proposed project would construct a new health center addition to the existing Garfield County Health Center and nursing home facility. The new building would include a 24-bed nursing home and medical aid facility (mini-hospital) in Jordan. The new building would replace a former hospital facility built in 1950 which was converted to a nursing home in 1986. The existing facility does not meet State requirements for long-term health care facilities. The existing county health center would have to close without the nursing home to make it financially viable. Jordan is 83 miles from the nearest hospital in Miles City.

NAME OF APPLICANT: Hill County

CDBG REQUEST: \$273,000

OTHER FUNDS: \$ 40,000 Hill County Council on Aging
\$ 20,000 Loan from Hill County
\$ 20,000 Loan from Bear Paw Revolving Loan Fund

TOTAL PROJECT: \$353,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 91%

PROJECT DESCRIPTION: The proposed project would make repairs and improvements to the senior center facilities in Havre and Rudyard which are operated by the Hill County Area Agency on Aging. The centers provide a variety of services to 700 senior citizens in Hill County including nutrition, health care, transportation, and health and financial counseling.

NAME OF APPLICANT: Town of Hobson

CDBG REQUEST: \$284,463

OTHER FUNDS: \$364,117 Environmental Protection Agency (EPA)
\$ 85,155 Town of Hobson

TOTAL PROJECT: \$733,735

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 56%

PROJECT DESCRIPTION: The proposed project would replace the town's thirty-three year old sewage lagoons which provide inadequate treatment, in violation of State and federal water quality standards.

NAME OF APPLICANT: Town of Lodge Grass

CDBG REQUEST: \$375,000

OTHER FUNDS: 0

TOTAL PROJECT: \$375,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 67%

PROJECT DESCRIPTION: CDBG would fund Phase II of a four-phase project. The proposed project would replace main water lines, service lines, gate valves, fittings, and fire hydrants in the southern half of the town. According to the Montana Department of Health and Environmental Sciences, the condition of the system creates both health and safety risks that need to be corrected immediately.

NAME OF APPLICANT: Park County for Wilsall

CDBG REQUEST: \$335,975

OTHER FUNDS: \$ 40,000 INTERCAP Loan through Montana Board of
Investments
\$ 63,025 Wilsall Water District

TOTAL PROJECT: \$439,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 70%

PROJECT DESCRIPTION: The proposed project would correct deficiencies in Wilsall's water system by providing a new water supply by constructing new wells and transmission mains and by looping existing mains and replacing deteriorated fittings. One of two existing wells is contaminated and the State Department of

Health and Environmental Sciences has mandated that it be taken out of service. The improvements will also improve fire flows and prevent contamination due to low pressures and leaks.

NAME OF APPLICANT: Town of Ryegate

CDBG REQUEST: \$375,000

OTHER FUNDS: \$120,000 Town of Ryegate (Revenue Bond)

TOTAL PROJECT: \$495,000

PERCENT BENEFIT TO LOW AND MODERATE INCOME: 58%

PROJECT DESCRIPTION: The proposed project would replace severely deteriorated cast iron water lines installed in 1925; install proper valving; and replace, insulate, and cover an exposed transmission line to the town water tank. The improvements would address public health and safety concerns resulting from infiltration, a hazardous chlorine gas treatment problem, and inadequate fire flows.

12/91

APPENDIX H

SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING NONPROFIT ORGANIZATIONS

Local governments can apply on behalf of private nonprofit organizations such as a local economic development corporation or senior citizen organization. Nonprofit organizations may acquire title to public facilities such as senior centers, centers for the handicapped, or Head Start Centers. When such facilities are owned by nonprofit organizations they must be open for use by the general public during all normal hours of operation. Nonprofit organizations may also be involved in the construction of new permanent residential structures for low and moderate income persons.

A. Nonprofit Organization Defined

Any nonprofit organization to be assisted with CDBG funds must be incorporated under Montana law and recognized as a nonprofit, 501 (c) tax exempt organization under U.S. Internal Revenue Service (IRS) regulations.

B. Nondiscrimination

Any nonprofit organization to be assisted with CDBG funds must agree to provide its services or operate its facilities without discrimination, in accordance with the civil rights laws and regulations of the United States and the State of Montana. These laws and regulations prohibit any discrimination on the basis of race, color, national origin, sex, religion, handicap, age, or family status (families with children). Any organization receiving CDBG assistance must also carry out equal employment opportunity hiring practices.

C. Operating Plan

Each applicant must submit an operating plan for any nonprofit organization which it proposes to assist. Each operating plan must include the following elements with sufficient detail for adequate analysis:

1. Description of Organization

Describe the purpose and history of the organization. Include a copy of the organization's bylaws.

2. Services Provided

Describe the services provided, geographic service area and potential for expansion of services provided or the service area. Describe the target population served (age, sex, special needs, etc.). The operating plan should describe in detail how the CDBG project will affect the services to be provided and how the organization and its members or clientele will be affected if CDBG funds are not received.

3. Management

Provide the names, titles, and brief description of the background and

management experience of the persons responsible for management of the organization or project, as well as the members of the organization's board of directors. Describe how the organization's finances are managed and whether they are formally reviewed on a regular basis.

4. Sources and Uses of All Funding

Describe the sources, proposed uses, and financial terms for all funds to be included in the project. The description should clearly justify the amount of CDBG assistance applied for and explain the intended use of the funds.

D. Financial Exhibits

The nonprofit organization must be able to demonstrate that projected income will be sufficient to cover any projected debt service and current and projected operating costs, including long-term operation and maintenance. Each applicant submitting on behalf of a profit organization must include the following financial exhibits with the application:

1. Financial Statements

For existing organizations, provide financial statements for the three most recent years of operation including a balance sheet describing assets and liabilities and a revenue and expense statement.

Financial statements, compiled or reviewed by an independent certified public accountant are preferred. All financial information must be signed by a responsible officer for the organization.

2. Income and Expense Projections

Adequate income projections are necessary to demonstrate the long-term financial soundness of the project. The organization must provide projected balance sheet and revenue and expense statements for a three year period following receipt of CDBG funds which includes all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements, as well as current and long-term operating capital needs. The projections must include an explanation of how the figures and assumptions were developed.

3. Federal Internal Revenue Service Forms

- (a) The nonprofit organization must submit verification of its IRS 501 (c) status.
- (b) Any private nonprofit organization which is required to submit IRS Form 990 (Return of Organization Exempt From Income Tax), must submit a copy for the three most recent years of operation. (Organizations whose annual gross receipts are normally more than \$25,000 must file Form 990.)

